

## FINANCIAL TIMES

Friday June 5 1992

EUROPE'S BUSINESS NEWSPAPER

D8523A

## G7 rejects call to finance fund for environment

The leading industrial countries closed ranks at the Earth Summit in Rio de Janeiro in the face of demands from developing countries for more aid to clean up the environment.

G7 environment ministers affirmed that any extra money would be channelled through the World Bank's existing global environment facility, and not through a new multi-billion-dollar Green Fund, which developing countries favour. Page 16; Details, Page 6

**Maxwell:** Administrators of the collapsed Maxwell empire launched legal action in New York to obtain information on millions of dollars of assets they believe Maxwell companies transferred to Liechtenstein-controlled companies. Page 16

**KLM Royal Dutch Airlines** swung back into profit in 1991-92, prompting a resumption of dividend payments. A cost-cutting programme and a higher proportion of first-class and business-class passengers helped KLM post a net profit of £1.125m (\$88m). Page 17

**Russian appointments:** The Russian government appeared to be in turmoil at the appointment of three senior ministers with different philosophies to those of the free-market. Page 3

**Hansen, Anglo-US conglomerate,** and Bechtel, engineering and construction company, may combine forces over their approach to Canary Wharf in London's docklands. Page 16

**Lloyd's of London** has moved to bolster its solvency by doubling the size of its central fund to £10m (\$1.8m) by a compulsory charge on all 22,400-plus names. Page 16

**Westlé,** Swiss food multinational, revealed that EC anti-trust investigators are challenging its FF15.45bn (\$2.8bn) bid for Perrier. Page 17; Editorial Comment, Page 14

**Young Elvis wins seat of approval**

A picture of the young Elvis Presley (left) is to appear on special US postage stamps from next January. The US Postal Service held a referendum to decide whether Elvis should be depicted at the beginning or the end of his career. More than 1m people voted, the young Elvis outpolling the older incarnation by 3-1.

**Siege continues:** The siege of Sarajevo, capital of Bosnia-Herzegovina, enters its third month today, as Serb militia groups continue to try to starve the city into submission. Page 4

**EC retreats on HDTV:** The EC has given up trying to persuade satellite operators, equipment manufacturers and broadcasters to sign a document legally binding them to promote high-definition television (HDTV). Page 4

**Concerns over HK airport:** China's delay in approving financing plans for Hong Kong's new airport is causing concern among managers of the HK\$12.5bn (£1.5bn) project. Page 7

**Bombay police move:** Police raided homes and offices belonging to Harshad Mehta, the broker at the centre of the Indian securities scandal. Mr Mehta was taken in for interrogation. Page 7

**Euro Disney,** which opened its theme park outside Paris in April, is postponing the launch of the second phase until 1993. Page 18

**BOC:** Egypt is to refocus the local subsidiary of the collapsed Bank of Credit and Commerce International, but local bankers are not enthusiastic about sharing the \$300m bill. Page 20

**Blue Circle,** Britain's biggest cement manufacturer, launched a £241.6m (\$455m) rights issue to help pay for an acquisition which would make it one of Europe's largest manufacturers of domestic heating products. Page 17; Lex, Page 16

**Japanese growth:** The Japanese government expects the economy to grow at an average rate of 3.5 per cent annually over the next five years. Page 7

**Maze escapees held:** James Smyth and Kevin Artt, two of the IRA prisoners who broke out of Belfast's Maze Prison in 1983 have been captured in California.

**US Forest Service** is to change its forest management philosophy in a move that could sharply alter logging practices and help to revive indigenous tree species. Page 6

**Topic of concerns:** A software problem caused a prolonged failure in the London Stock Exchange Topic information service making share price quotations "indicative" and not binding on market-makers. Page 22

STOCK MARKET INDICES				STERLING			
FT-SE 100	2,681.5	(+1.1)		New York Composite	1,518		
Yield	4.58			London			
FT-SE Eurotrack 100	1,184.92	(-1.89)		US	1.8255	(1.8165)	
FT-SE All-Share	1,260.37	(+0.28)		DM	2.9175	(2.915)	
Midcap	17,984.87	(-224.61)		FF	8.83	(8.8175)	
New York Composite	1,518	(-2.08)		Sfr	2.87	(2.86)	
Dow Jones Ind Ave	3,494.91	(-2.08)		Y	232.75	(232)	
S&P Composite	1,143.9	(-0.29)		£ Index	92.5	(92.4)	
US DOLLAR				DOLLAR			
Federal Funds	3 1/4			New York Composite			
3-Mo Treasury Bill	3.77%			DM	1.898	(1.8945)	
Long Bond	10 1/8			FF	8.28	(8.26)	
Yield	7.88%			Sfr	1.46	(1.45)	
LONDON MONEY				Y	127.5	(127.75)	
3-Mo interbank	10 1/8			£ Index	92.5	(92.4)	
1-Mo bill rate	9 1/8						
NORTH SEA OIL (Augs)							
Brent 15-day July	\$21.80	(21.125)					
GOLD							
New York Comex	\$340.7	(336.7)					
London	\$338.55	(335.5)					

Austria	100.00	Hungary	11.00	Malta	1.00	S. Africa	58.00
Belgium	100.00	Ireland	11.00	Morocco	1.00	Singapore	58.00
Denmark	100.00	Italy	11.00	Norway	11.00	Spain	58.00
France	100.00	Japan	11.00	Portugal	11.00	Sweden	58.00
Germany	100.00	South Korea	11.00	Switzerland	11.00	Switzerland	58.00
Greece	100.00	Taiwan	11.00	UK	11.00	UK	58.00
India	100.00	Thailand	11.00	USA	11.00	USA	58.00
Indonesia	100.00	Turkey	11.00				
Israel	100.00	USA	11.00				
Italy	100.00						
Japan	100.00						
Korea	100.00						
Malaysia	100.00						
Netherlands	100.00						
Norway	100.00						
Poland	100.00						
Portugal	100.00						
Saudi Arabia	100.00						
Spain	100.00						
Sweden	100.00						
Switzerland	100.00						
Taiwan	100.00						
Thailand	100.00						
Turkey	100.00						
UK	100.00						
USA	100.00						

Ministers seek to play down crisis but rule out renegotiation of treaty  
EC keeps door open for Danes

By David Buchanan and Robert Mautner in Oslo

DENMARK'S European Community partners yesterday promised to "keep the door open" for it to change its mind and join the European union, enshrined in the Maastricht pact that Danish voters rejected on Tuesday.

EC foreign ministers mounted a show of solidarity, with Denmark's 11 partners declaring that they would pursue ratification of Maastricht "on the basis of the existing text" by the end of the year.

They said there would be no re-negotiation of the treaty, and ruled out holding a special summit of EC leaders to deal with the crisis.

Though it was an emergency session, held after a Nato meeting, all ministers sought to play down the crisis, in spite of its potential to sabotage painstakingly negotiated plans for political and monetary union.

Mr Uffe Ellemann-Jensen, Denmark's strongly pro-EC foreign minister, joined his 11 colleagues in a statement confirming that they wanted "to see the European Union established by all member states".

He was well-received when he told the others that the Danish government acknowledged that Maastricht could not now be renegotiated, that it would keep all its options open, and that it needed time to decide what to do next.

The Danish vote was "No to Maastricht, but not No to Europe", said Mr Ellemann-Jensen. Even the anti-EC minority in the Danish parliament concurred with that interpretation, he added.

Denmark's partners, discreetly encouraged by the Danish government, clearly hope that ratification by the 11 other states will exert growing pressure on Danish opinion as this year wears on. "We need a period of calm reflection", said Mr Douglas Hurd, the UK foreign secretary, echoing the sentiment of ministers that those

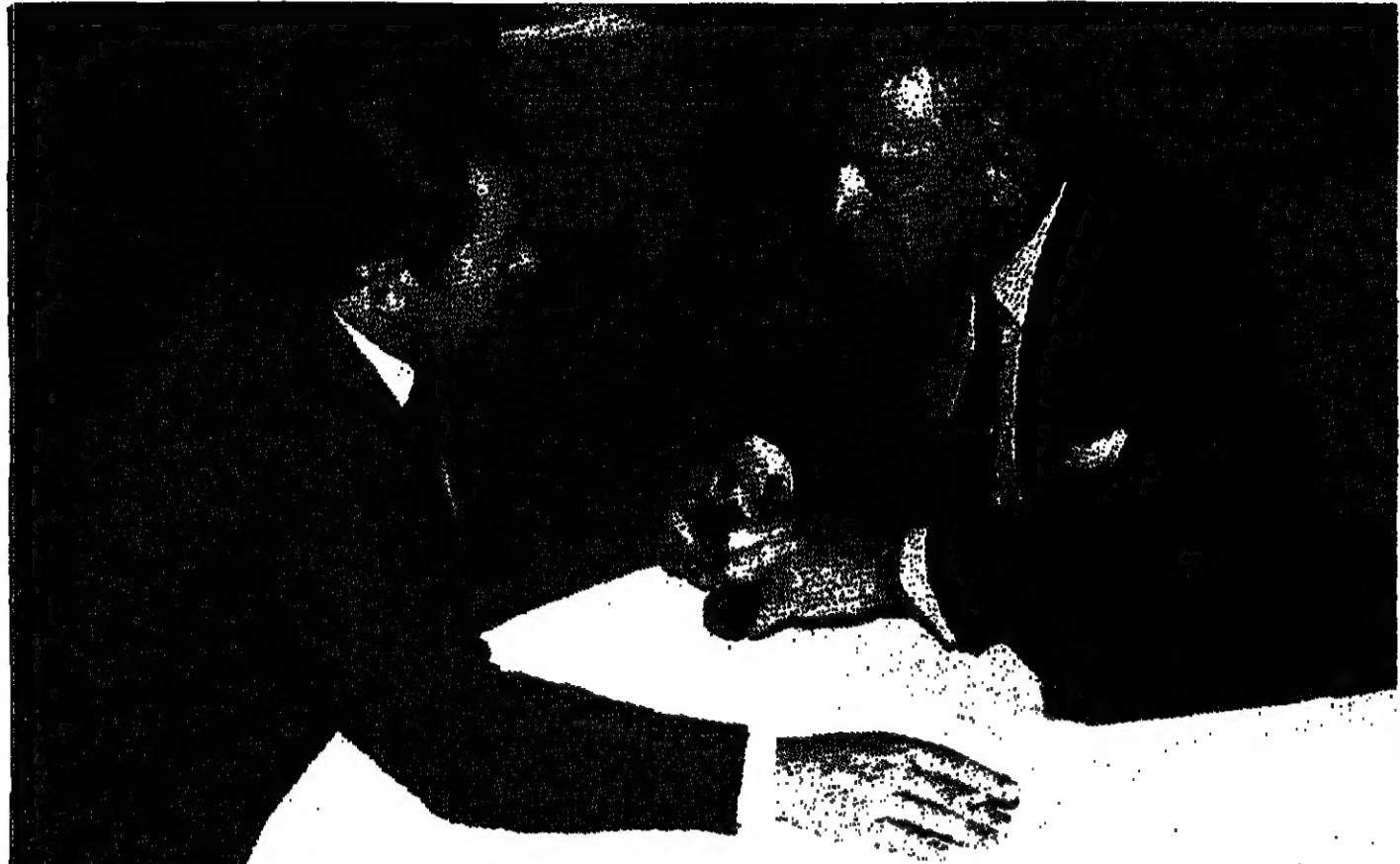


Table talk: Josep de Deus Pinheiro, Portuguese foreign minister and president of the EC council of ministers, in conversation with his pro-EC Danish counterpart, Uffe Ellemann-Jensen, before yesterday's meeting of EC foreign ministers in Oslo

most in need of reflection were the Danish people.

"We, British, will go forward with our legislation to ratify Maastricht", said Mr Hurd. But he added that the Danish referendum "has had an effect on some of those among the British people who were prepared to give Maastricht the benefit of the doubt in the first instance". This had, he said, to be taken into account.

Mr Josep de Deus Pinheiro, the Portuguese foreign minister and current president of the EC council of ministers, praised the "solidarity and cohesion" shown by ministers in "this one of the most remarkable meetings of my Community experience". Mr Jacques

Delors, the Commission president, whose brainchild of monetary union is now at risk, added that "even if we have a little crisis, we shall overcome it".

But the solid-front by ministers was partly made possible by the fact that they deliberately shied into the future consideration of the legal complexities raised by the possibility of Denmark being left behind by its partners.

EC legal experts will be meeting their Danish counterparts, but any of their findings will not be ripe for political decision "for the next few weeks or months". Mr Hurd said he expected yesterday's session would be the first of a series of ministerial dis-

cussion on Denmark's future and the fate of Maastricht, which has still to be definitively ratified by any EC state. Its next test is Ireland's June 18 referendum.

But Mr Pinheiro ruled out advancing the June 26-27 Lisbon summit to discuss the Danish-caused crisis, or convening any special summit. "What could leaders say that we haven't already said today", he said yesterday. Indeed, Mr Hurd doubted whether the Danish problem would even be discussed at Lisbon, such is the desire of EC governments to pretend that they are conducting business as usual.

Nevertheless, the crisis over Maastricht, if it remains unre-

solved beyond this year, is sure to delay accession negotiations by Sweden, Austria, Finland and Switzerland who have all applied to join the EC. While these countries are not expected to be deflected by the Danish vote from pursuing EC membership, the effect may be different in Norway. "This will be the only meeting of EC foreign ministers in Oslo this century", predicted a Norwegian official.

Maastricht in the balance, Page 2  
Joe Rogaly, Page 14  
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## Midland to sell Thomas Cook for £200m

By Peggy Hollinger in London and Christopher Parkes in Bonn

MIDLAND BANK yesterday announced the sale for £200m (\$340m) of Thomas Cook, one of the oldest names in the world travel industry and the inventor of the traveller's cheque, to Germany's third-biggest package tour operator, LTU.

Midland said the sale was unconnected to the £3.9bn recommended takeover bid for the bank by Hongkong and Shanghai Banking Corporation. It said Hongkong Bank was informed in advance and was happy for the sale to go ahead.

The announcement that Midland was selling the travel agent

and financial services group was greeted with some surprise in the travel industry, where a deal had not been expected until after the bid was resolved. However, it had been known for 18 months that Midland had planned to sell Thomas Cook.

Midland, which bought Thomas Cook from British Rail in 1972 for £20m, expects to report a net extraordinary gain of £93m. The proceeds will be used to develop core businesses.

The original Thomas Cook, a dedicated 19th century testotaller, is credited with the invention of the package holiday. His first tours in 1841 - one-shilling day trips in the Midlands - were an innovative attempt to wean the

working classes from the gin bottle.

Within 25 years, Thomas Cook claimed a million clients. Today the company runs 1,800 outlets in more than 100 countries.

LTU, and its 34 per cent shareholder, Westdeutsche Landesbank, will acquire 90 per cent and 10 per cent of Thomas Cook respectively. Although the deal has been referred to the European Commission for standard approval, both parties said it was unlikely to meet any EC obstacles.

LTU is the only group in Germany offering charter flights and tour packages. In addition to its large tour operation, LTU is Germany's largest charter airline

carrier. Operating profits last year were DM68m (\$42.3m) on turnover of DM2.5bn.

Thomas Cook will continue to run bureaux de change in 103 Midland branches in Britain. Mr Peter Middleton, chief executive

of Thomas Cook, said a five-year contract based on a percentage of turnover was being negotiated.

Lex, Page 16  
A ticket on the road to European growth, Page 17

## \$780m Hongkong Bank loan makes it biggest O&amp;Y lender

By Bernard Simon in Toronto

HONGKONG and Shanghai Banking Corporation has revealed yesterday as Olympia & York's biggest creditor. It has a total exposure of at least US\$780m and collateral currently worth far less than the principal amount.

A bulky document filed by O&Y with the Ontario Court of Justice also identifies Japanese banks among O&Y's most generous lenders. Six Japanese institutions are major participants in a \$500m term loan led by Citibank and secured by O&Y's shareholding in Carena Properties, a property company which is controlled by Toronto's Bronfman family.

The document was filed as part of creditors' efforts to determine the true financial condition of the once-secretive developer. It contains details, including collateral and guarantees, of all borrowings by O&Y Developments - the

No jubilation at the end of the line .....Page 15  
Hanson and Bechtel in talks on Canary Wharf .....Page 16  
Secret life of O&Y .....Page 19

Reichmann family's main holding company - and the 28 Canadian subsidiaries which sought court protection on May 14.

The debt of these companies totals about two-thirds of O&Y's total debt of C\$13.5bn (US\$11.2bn) but does not include direct loans to Canary Wharf or to the company's 20 or so buildings in the US. Two British banks, Barclays and Lloyds, have a substantial direct exposure to Canary Wharf.

O&Y's biggest lender was previously assumed to be Canadian Imperial Bank of Commerce, which last week disclosed an exposure of C\$600m.

HSBC provided US\$750m of a

\$2.5bn jumbo loan negotiated in 1988. In addition, Hongkong Bank of Canada, a wholly owned subsidiary, advanced C\$22m in demand loans. The security for the jumbo loan consists of O&Y's stakes in Albitri-Price and Gulf Canada Resources. Mr Alain Tuchmaier, banking analyst with McLean McCarthy in Toronto, calculates the current market value of the shares pledged to HSBC at only C\$588m.

The most heavily exposed Japanese banks are Tokai and Dai-ichi Kangyo. Tokai provided half of the Citibank-led \$500m term facility. Dai-ichi Kangyo contributed \$180m towards the jumbo loan. Citibank itself advanced only \$35m. According to Mr Tuchmaier, the security provided for the Citibank loan is now worth C\$173m, less than a third of the principal amount. Japanese institutions are also known to have lent heavily to several O&Y properties in New York.

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## NEWS: MAASTRICHT IN THE BALANCE

Community's strategy is to carry on as if nothing happened, pushing legalities to one side

## Partners leave Danes to ponder their fate

By David Buchanan in Oslo

FOR ALL the high stakes riding on the outcome of the European Community crisis, caused by Denmark's rejection of the Maastricht treaty, the simple, not to say simplistic, strategy of all 12 states is to try to carry on as though the earthquake had never happened.

The game plan of Denmark's 11 partners is politics first, legalities later. They hope to plod through the Maastricht ratification, negotiating such tricky obstacles as the June 18 referendum in Ireland, the autumn plebiscite in France, and the crucial November-December vote in the German parliament, so that by year-end they will have notched up 11 acts of ratification with which to confront the Danes.

Only then would the Danes be asked to choose. It would

not be a repeat of the question put to voters this week - do you want Maastricht's political and monetary union or not? - but something more menacing. It could run on the lines of "Since, by our acts of ratification, we have shown you that we intend to transform the Community into Maastricht-style European union (whether you like it or not), the old-style Community will no longer exist. This gives you the choice of joining us in the union, or negotiating some kind of associate status."

The strategy would depend on maintaining that the rejection is basically a Danish problem. It is a strategy in which the Danish government appears to be conniving.

Mr Uffe Ellemann-Jensen, Danish foreign minister, said in Oslo yesterday, before meeting his EC counterparts in emergency session, that he

would not be asking to renegotiate Maastricht "because we know that would be impossible". Echoing other ministers, he said: "I think we all need a long time for reflection." What that means in practice is making the Danish

a precise idea of their isolation. There are several practical reasons for this. No real isolation will emerge until the 11 start chalking up ratification successes. In the meantime, as a UK official said yesterday, they "do not want to slam any

## What is worse is the Danes will be left considering imagined, as much as real, effects of their decision

people sweat out, over the coming months, the consequences of their vote on Tuesday.

What is psychologically worse for Danes is that they will be left pondering imagined, as much as real, effects of their decision. For all the talk of EC legal experts, poring over the complexities thrown up by the Danish vote, it will probably be months before Danes get

doors or rule out procedures which would prevent Denmark becoming a full member of the European union eventually. Nor is there any clear idea yet which door to slam.

Whatever the Danes signalled this week, they did not vote to leave the present Community from which, as the members with the highest average income, they draw a

net financial benefit. But a period of reflection would be a deliberate ploy to leave the Danes in the dark, where imagined nightmares are often worse than real ones.

Not everyone has been able to restrain themselves from being more explicit.

"If the Danes don't want to join us, and won't leave the Community themselves, then we will just move the house," said a French foreign ministry official yesterday. According to this theory, which is gaining currency, the 11 would denounce the Treaty of Rome, take its substance, add Maastricht and leave Denmark in an empty wing of the new house called European Union.

At first, according to this scenario, Denmark might share in much activity of the European Union, particularly regarding the single market. But it might lose, or have

reduced, its representation in the Council of Ministers, Commission and parliament. This might well jeopardise Copenhagen's planned EC presidency for the first half of 1993.

As things went on, Denmark might find itself squeezed out of the single market, or at least without a proper say in the updating of environmental or social policy. That would be ironic in view of the Danish left's complaints against Maastricht that it left Brussels too inactive in raising labour and anti-pollution standards.

It would also leave Denmark worse off than European Free Trade Association (EFTA) countries which have joined the EC in the new European Economic Area (EEA). This, imperfect though it is, gives the EFTA some say in shaping future EC single-market laws that will form the core of EEA legislation.

## Europe's bond markets face upheaval

By Simon London

THERE was broad agreement among fund managers yesterday that the performance of European bond markets could be fundamentally changed by Denmark's rejection of the Maastricht treaty.

In the chaos following announcement of the referendum result, most European markets fell sharply, with a clear divide between losers and winners.

Italian and Spanish markets were worst hit, with bond prices falling by about 1 1/2 points at the 10-year maturity on Wednesday and continuing to slide yesterday. Bonds denominated in Ecu also fell sharply.

UK gilts suffered falls of up to a point on Wednesday but held firm yesterday. French bonds followed a similar pattern but German bonds escaped almost unscathed.

The underlying pattern is that high-yielding European bond markets - riding high on in-flows of international cash as investors anticipated convergence in the run-up to European monetary union - are most vulnerable.

Convergence theory is simple: with currencies fixed within the exchange rate mechanism (ERM) the inflation and interest rates of European countries will have to fall to the level of the country with the strongest currency in the system - Germany. Since government bond yields reflect interest rates and anticipated inflation, convergence theory states that bond yields should also converge.

Believers bought high-yielding European bonds - such as Spanish, Italian and UK government paper - anticipating that yields would fall towards German levels. As bond prices rose, bondholders were presented with a handsome capital gain.

At the level of pure economic logic, nothing in this argument is threatened by the outcome of the Danish referendum. Whether the Maastricht treaty stands or falls, bond yields should converge under a system of fixed exchange rates.

"The ERM is going to remain intact, but problems with ratification of Maastricht will highlight markets where the economic fundamentals are not strong," said Mr Keith Jones, head of fixed income fund management at Lazard Freres.

Investment managers yesterday pointed to three main reasons for falling bond prices:

● Convergence theory was so popular that bond yields were running ahead of economic fundamentals.

Inflows of international funds into Spain, Italy and the UK pushed bond yields lower despite the fact that inflation and government borrowing remained stubbornly high. In these circumstances there was always the risk of a sharp correction.

● The prospect of currency union under Maastricht was the main incentive for European governments to bring interest rates and inflation into line with their neighbours.

Economic convergence can be painful. If the goal of monetary union is removed, or indefinitely postponed, there is less reason to submit to ERM discipline, in particular the low wage settlements and high interest rates needed to bring inflation under control.

"It was clear earlier this year that there was going to be disenchantment with the rigorous requirements to meet the Maastricht criteria," said Mr Ter-

ence Prédoux, fund manager at Kemper Investment Management in London.

● Aside from the full-scale breakdown of the ERM, the biggest fear of bond market investors is a hidden devaluation of high-yielding currencies through realignment of the mechanism. Gains made by holding appreciating bonds would be wiped out by exposure to a depreciating currency. With Maastricht in place and the timetable for monetary union set, a revaluation of the ERM was seen as unlikely. Any threat to that timetable fuels speculation that some governments would be happy to see their currencies devalued to ease the pain of convergence.

On Wednesday and yesterday, Italian bonds suffered from renewed fears of devaluation, since the lire is one of the weaker currencies in the ERM. This was also a factor behind the fall in UK gilts, although most UK fund managers believe fears of a sterling devaluation are unfounded.

In the aftermath of the Danish vote, fund managers are again looking at the economic factors determining government bond yields: interest rates, inflation and anticipated supply of new bonds to finance public sector deficits.

On this basis, markets such as France, Germany, the Netherlands and - ironically - Denmark could continue to benefit from flows out of high-yielding bonds. Yet Italy, Spain and Portugal could suffer. The position of the UK gilt market is less certain, with political stability balancing a weak currency and poor public finances.

## French voters 'will back treaty'

By Ian Davidson in Paris

THE FRENCH will vote two to one in favour of the Maastricht treaty in a referendum, according to a newspaper poll yesterday.

The poll in the Parisien buttresses the government's decision to submit the treaty for ratification in a referendum, in response to the Danish No vote.

Meanwhile the conservative opposition parties yesterday displayed deep differences over the Maastricht treaty. In the Gaullist RPR party, General Secretary Alain Juppé formulated an ambivalent and uneasy attitude to the treaty, in an attempt to straddle the gulf between anti-Europeans and those moderately pro-Europe in the RPR. But Mr Jacques Chirac, the leader of the Gaullists, is so embarrassed by the intense conflict within the party that he remained silent for the second day running.

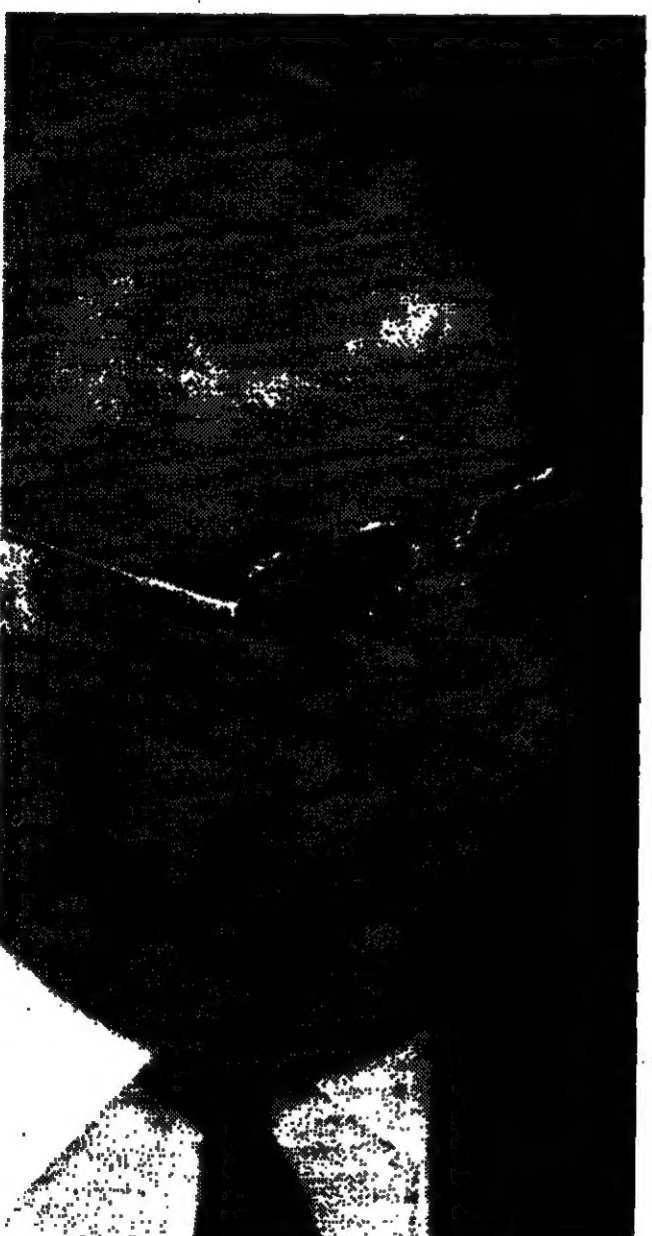
However, the government is aware of the danger that the electorate could decide to use the referendum to register a vote against an unpopular president, rather than in favour of the treaty.

Paradoxically, President Mitterrand was yesterday urged to put his presidency on the line in the referendum, by Mr François Bayrou, secretary-general of the centre-right UDF. "I do not see how the president can fail to take personal responsibility [in the referendum]," he said. "And I say that all the more strongly because I intend to vote Yes."

While Mr Mitterrand remains unpopular, Mr Pierre Bérégovoy, his new prime minister, has climbed steadily in the opinion polls since his appointment in April. The latest rating in Figaro Magazine gives Mr Bérégovoy a popularity rating of only 37 per cent, compared with 60 per cent for Mr Bérégovoy, an unprecedented gap between president and prime minister.

The classic precedent for the government's misgivings was the referendum of 1959, when the voters turned down President de Gaulle's proposals for a reform of the Senate, and the president was forced to resign. In that case, the voters knew that the referendum was really just a pretext for a vote of confidence in the president.

## Kohl and Major look for way to stay on road to Maastricht



Chancellor Helmut Kohl: facing growing public scepticism about treaty

By Quentin Peel in Bonn

AGAINST a background of growing popular scepticism in Germany about European integration, Chancellor Helmut Kohl and Mr John Major will today seek to co-ordinate their response to the Danish vote.

There is a clear division among top government advisers over whether it will be possible to press ahead with the plans without Denmark, or whether changes will have to be made to enable a new Danish referendum to be held.

The key is whether it will be possible to separate the Maastricht treaty on economic and monetary union (Emu), and on political union, from the existing Rome Treaty. For any amendments to that treaty would normally require unanimous ratification.

Some top German EC negotiators believe that it would be possible to press ahead with Emu outside the Rome Treaty, removing all references to existing EC institutions. They see this as a clear step towards a Community based on "variable geometry" - different combinations of member states for different functions - which they regard as inevitable in the light of the queue of new entrants.

Thus those countries carrying on to a single currency would become an inner core of the EC. Those who wish to pursue a closely-integrated common foreign and security policy could also provide another. And outer rings might be formed by eastern European countries wanting more than association, but less than full membership.

However there are also German advisers who believe it will be possible to accommodate the Danes without step-

ping outside the Rome Treaty. "We have some ideas, but we are waiting to see what the legal advisers in the Council of Ministers' secretariat say," one official said yesterday.

The official line from both the German and UK leaders is that the other 11 member states must press ahead with ratification, or lose the momentum of the integration process. But they know that the uncertainty will cast a shadow over the two other main issues on the EC agenda: enlargement and the Delors 2 budget package to provide increased financial resources.

Mr Major is in an unusually strong position in relation to Mr Kohl, in the wake of his election victory, and with Britain in a better position to ratify the Maastricht treaty than Germany. In Bonn, the affair has become a serious constitutional struggle between the central government and the 16 Länder, seeking to assert their control over EC policy.

While the two appear to share much common ground on the need to press ahead with ratification, Mr Major has the more difficult and delicate task of persuading the Chancellor not to undermine European co-operation by pulling out of the European fighter aircraft project. But Mr Kohl is under heavy domestic pressure to cancel the deal, widely seen in Germany as unnecessary since the end of the cold war.

In Germany, public and private comments on the Danish vote have been remarkably of their tone of understanding, if not of relief. In spite of the commitment to European integration in all the main political parties, there is an awareness that the public mood is increasingly sceptical.

## Ireland to go ahead with vote

By Tim Cooney in Dublin

THE DUBLIN government remained adamant yesterday that it would press ahead with a referendum on the Maastricht treaty on June 18, despite growing pressure from opposition groups to postpone it, and mounting confusion over the issue.

An unlikely alliance of environmentalists, anti-abortionists, pro-abortionists, disarmament groups, centre-left politicians and pro-neutrality groups have joined voices in calling for a postponement. They say time should be given to assess the implications of any efforts to resurrect the treaty under a different format. This could mean another referendum would have to be held, rendering the June 18 one irrelevant, they say.

Growing scepticism in the Yes camp suggests that the result of the referendum could now be very close instead of the expected large vote in favour.

The government's draft wording of the referendum is also likely to give encouragement to the No and anti-referendum campaigners. It is a page of text couched in highly legalistic terminology, which even well-informed voters are likely to have difficulty understanding, raising concern that many votes may be spoiled or cast mistakenly.

A government spokesman insisted yesterday, however, that a "growing responsibility" is now being thrust on Ireland to save the Maastricht treaty and that an all-out effort will be made to secure a Yes vote. He said the Danish decision "has removed any sense of complacency about the campaign" and added that "if Ireland did vote No, it would be a major blow to the EC".

## D-Mark gathers strength from financial market nervousness

By Emma Tucker, Sara Webb and Tracy Corrigan

CALM RETURNED to Europe's financial markets yesterday as investors digested the implications of Denmark's rejection of the Maastricht treaty.

The D-Mark continued to benefit from nervousness that other European countries might renounce on the financial disciplines of monetary convergence, while sterling and

the Italian lira slipped closer to the bottom of the European monetary system grid.

In the European government bond market high-yielding securities, including stocks issued by the Italian and Spanish governments, continued to tumble as the Japanese joined European investors in the rush to sell.

In recent months, such high-interest bonds have drawn keen interest from investors

hoping to gain from the convergence of European interest rates ahead of monetary union.

After the referendum result they no longer appear so attractive.

However, as some dealers took advantage of cheaper prices, some government bonds ended the day off their lows. German bonds remained the main beneficiary.

Ecu bonds, dogged by fears

about their future in the wake of the uncertainty about monetary union, bore the brunt of the selling pressure. French bonds and UK gilt-edged securities held their ground.

"The worst is probably over now. We've seen the shake-out and we should see some recovery now, barring no other disastrous news," said a trader from a US bank.

Although the D-Mark continued to edge higher against

other European currencies, it was with less momentum than on Wednesday.

After a two pence decline on Wednesday, sterling gained a quarter of a pence, closing in London at DM2.9175.

Against the D-Mark the Italian lira closed down, at L766.6, compared with Wednesday's close of L758.1. The Dutch guilder and the Belgian franc remained steady alongside Germany's currency.

Mr Steve Hammah, head of research at IBI International, the securities arm of Industrial Bank of Japan, said the quieter markets stemmed partly from a better understanding among investors of what the Danes were voting against.

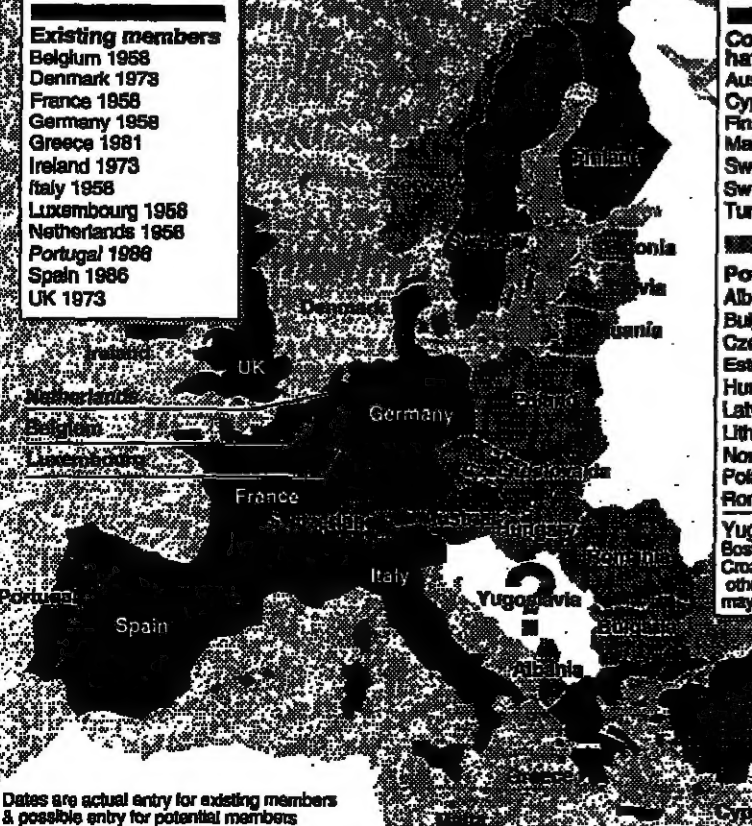
"They were voting against political centralisation and the institutional aspects of the union more than the economic and exchange rate aspects of

the system," he said.

European stock markets were mostly quiet although Italian shares were driven lower over worries that the Italian economy would lose the benefits of convergence between European interest and inflation rates should monetary union unravel.

Spanish shares also continued to slide but prices are expected to stabilise in the short-term.

## EC enlargement: The dream gets longer



## Neighbours feel the chill winds

Uncertainty is sweeping the Nordic region, writes Robert Taylor

HOSTILITY to European Community membership is sweeping the Nordic region following Denmark's narrow rejection of the Maastricht treaty.

A few weeks ago the timetable for much of the region to enter the EC by 1995 looked secure. Now there is considerable uncertainty, with Sweden, Finland and Norway needing majority approval in binding referendums before they can join the Community.

As many as 45 per cent of Swedes are opposed to their country's application for EC membership, with only 28 per cent in favour, according to a poll published yesterday. This suggests a rapid swing against the EC; in July 1991, when the then Social Democratic Prime Minister Ingvar Carlsson handed in Sweden's EC membership application, about 60 per cent of Swedes supported the move. Only 14 per cent said they were against EC entry.

Attitudes in Norway towards the EC have been evenly divided for some time but they appear to be hardening against membership. An opinion poll published yesterday in Aftenposten, the country's leading newspaper, showed 53 per cent of Norwegians now opposed EC membership, with 33 per cent in favour.

In Finland public opinion remains more favourable, with the latest poll finding 58 per cent of Finns in support of the membership application made in March, with 31 per cent opposing it.

Sweden has seen the most dramatic shift in public opinion, largely predating Tuesday's referendum in Denmark. Women have grown increasingly hostile to the EC, with 40 per cent opposing their country's entry and 32 per cent in favour. Many of them believe Sweden's welfare state would be endangered by membership.

The most significant shift has been among Social Democratic supporters, 47 per cent of whom are against EC entry and only 24 per cent in favour even though the party leadership under Mr Carlsson supports the cause. Mr Carlsson blames Mr Carl Bildt, Sweden's right-wing prime minister, for the growth of anti-EC sentiment.

There is little doubt Mr Bildt believes his radical economic programme to make Sweden more competitive and market oriented is vital if the country is to join the EC, in spite of being politically unpopular in the short-term for increasing unemployment and squeezing living standards.

Mr Bildt had hoped Sweden's membership negotiations would be finalised by the end of next year, with a referendum in

time for the next general election in September 1994. However, the Social Democrats have recovered the backing they lost in September's election, with the latest opinion survey giving them 43 per cent support.

Before he became prime minister Mr Bildt feared that the Social Democrats in opposition would behave like the British Labour party after it lost office in June 1970 and drop its pro-EC position in favour of a No campaign.

This still looks a unlikely, but the strains inside the Swedish labour movement over the issue are likely to grow. The same is true in Norway, where memories of a No vote in the 1972 EC referendum still trouble politicians, particularly in the powerful Labour Movement. The Labour party's conference in November is expected to endorse a membership application, but the minority government's experiences over the European Economic Area deal suggest that opening talks with Brussels will detonate a furious national debate.

The Nordic governments will need more time to convince their voters about the wisdom of joining the EC. Any rush to early membership could end in disaster at the polls.

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## EC plans quotas on Chinese footwear imports

By Andrew Hill in Brussels

MOST European Community states yesterday decided in principle to impose quotas on as loadonof Chinese footwear.

Trade experts have yet to iron out technical problems - including the thorny question of whether to apply the quota to the lucrative market for training shoes.

Big manufacturers, including Nike and Reebok, obtain a growing share of their production from factories in China and have been fighting the measure, which they say would increase costs, and possibly prices.

Trainers were included in the quota plan, even though there is no Community production of so-called "hi-tech" sports shoes, and therefore no political need to protect EC manufacturers.

The footwear quota proposal is an important trade precedent which should be followed by the harmonisation or abolition of national quotas on other imports from China, Vietnam and North Korea - nations defined by the EC as "state trading countries".

At the moment, a patchwork of national measures exists in many import areas, including bicycles, umbrellas and toys. The Commission argues that national quotas are already inefficient and will be impossible to enforce once internal EC frontiers are removed at the end of this year.

In the case of footwear, Brussels decided to harmonise rather than abolish most national quotas, because many member states were worried about the impact of Chinese imports on the EC footwear industry.

At yesterday's meeting, only Britain held out against a quota, although the Dutch, Germans and Danes are understood to have technical objections. Portugal and Spain, on the other hand, are pressing for more categories of shoes to be included.

## Regulation crossroads for US vehicle makers

Environment and safety laws are set to lead to higher costs, but also new opportunities for parts suppliers, writes Paul Cheeseright

US environmental and safety legislation could cost the country's motor industry an extra \$40bn annually in parts, materials and services by the late 1990s, aspirant equipment suppliers to the North American market heard yesterday. The aggregate figure works out at \$5,000 for each vehicle.

The effect of the changes will spread down to the "aftermarket", the market for spare parts, accessories and chemicals supplied to vehicles on the road. Aftermarket requirements could provide business worth at least another \$40bn.

"We are living in a world of regulatory activity that is frightening," Mr Bob Miller, president of the US Motor Equipment Manufacturers Association, complained to UK motor component executives at a meeting in Birmingham. Yet Mr Miller's complaint has its silver lining for actual and potential suppliers to the US original equipment market and its aftermarket. This was made clear by Knibb Gormezano and Partners, consultants, in a report\* on the North American motor market, commissioned by the UK Department of Trade and Industry and presented to the

### NORTH AMERICAN CARS AND LIGHT TRUCKS ORIGINAL EQUIPMENT PURCHASES FROM INDEPENDENT SOURCES

	1991	1992*
Value in current \$bn	29.7	40.3
Of which (per cent)		
Body	43	42
Electrical/electronic	21	22
Engine and cooling	9	10
Powertrain and chassis	16	18
Other	9	8

Source: Knibb, Gormezano & Partners. \*Estimate

#### Birmingham meeting

The report noted that environmental and safety considerations were one of five background factors affecting both future vehicle production in North America and "the aspirations of potential off-shore suppliers".

As part of the realigning relations between the motor manufacturers and the component suppliers, much of the work on meeting higher environmental standards would not be undertaken by the motor manufacturers. "A large proportion of the research and development into more environmentally-friendly vehicles is sub-contracted to outside companies," said Knibb Gormezano.

Because the US motor manufacturers want urgent solutions to the environmental demands, "any British manufacturer which has, or could have, products which help meet the demands will find a multitude of ready ears".

But this does not suggest that the North American market is suddenly free and easy. Manufacturers at the Birmingham meeting observed that the US market takes just as long to penetrate as the Japanese motor market. The leading British component manufacturers - GKN, Lucas, T&N for example - have been active in the market for years and have local manufacturing capacity.

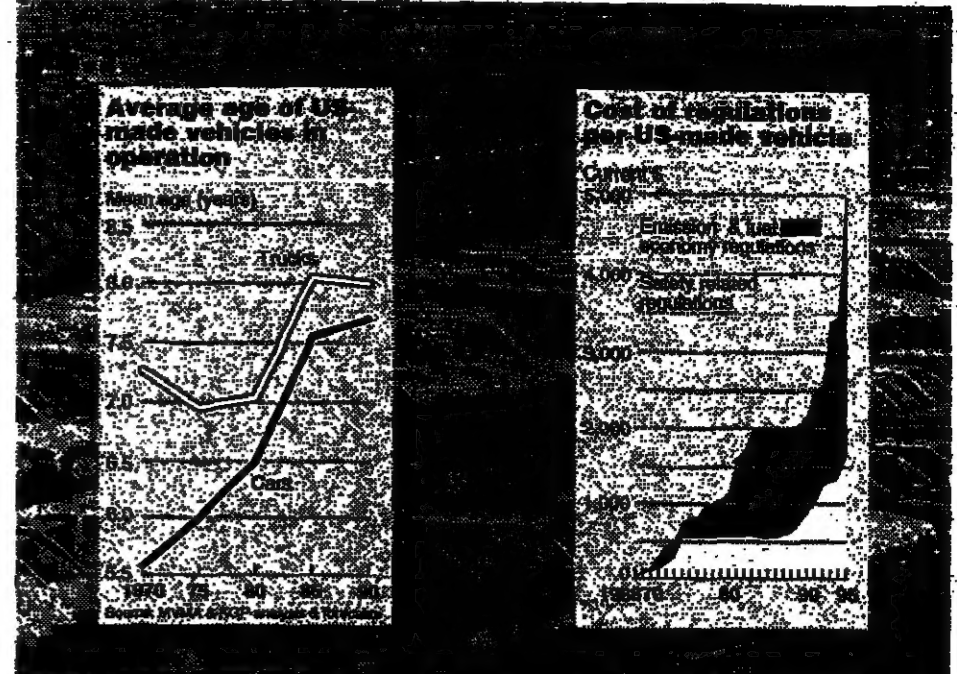
Indeed, over the last two years, partly reflecting the

relative strength of the EC and the US motor markets and emphasising the growing globalisation of the vehicle industry, British motor industry exports to the US declined in value. In 1990 they were worth \$1.18bn; (\$2.14bn) in 1991 \$772m. By comparison, exports to the German, French, Belgian and Spanish markets rose.

While the US motor manufacturers may need new equipment, the recession has ensured that they will not be producing vast new numbers of vehicles. Knibb Gormezano observed that the recession had caused an 18 per cent decline in volume since 1988 and that lost volume was not likely to be fully recovered until 1995.

The effect of the recession is the second of the factors affecting the aspirations of potential suppliers. But the mere recital of numbers hides changes which have been taking place in the US industry, most notably the loss of share by the Big Three manufacturers - GM, Ford and Chrysler - to the Japanese car makers. However, the Japanese manufacturers will use the US, just as they are starting to use the UK, as a springboard for exports.

The third factor affecting new entrants to the market is exchange rate volatility, not a new phenomenon. But currency shifts such as the 10 per cent decline in the value of sterling against the dollar in February-March 1992 can skew margin and profit calculations.



very much at the centre of the debate". But problems could emerge for European companies if US restraint actions, designed to fit one problem are couched in multilateral terms.

Negotiations for a North American Free Trade Agreement between the US, Canada and Mexico are the fifth factor. This may have the effect of shifting more labour-intensive production to Mexico, but the main victim of this process is

likely to be the Canadian component sector rather than the European.

\*Opportunities in the North American Automotive Original Equipment and Aftermarket by Knibb Gormezano and Partners for the Department of Trade and Industry, May 1992; Department of Trade and Industry, Kingsgate House, 66-74 Victoria Street, London SW1E 6SW; £375 (pb)

## Japan takes EC row to Gatt

By Stefan Wagstyl in Tokyo

JAPAN HAS asked Gatt, the body which supervises world trade, to intervene in a dispute with the European Community over EC anti-dumping duties on Japanese audio cassettes.

The EC imposed duties of 14.7 per cent to 22.3 per cent on five Japanese companies after concluding they were selling cassettes at unfairly low prices.

The ministry for international trade and industry (Miti) argues that the commission did not prove that European producers had been hurt by low-priced imports. It also claims the commission has not properly explained the levels of duty it imposed.

If arbitration fails to end the dispute, Miti could take the issue to a

Gatt dispute panel - the ultimate arbiter of such cases. It successfully took the Commission to the panel in 1988 over anti-dumping duties imposed on various products including typewriter parts.

However, it is rare for Japan to resort to a Gatt panel since Japanese officials prefer to settle arguments by negotiation.

Miti is also considering involving Gatt in another dispute with the EC, over duties imposed in 1985-86 on Minibea, the ball-bearing maker, for bearings shipped to Europe. Minibea claims that it raised prices after the commission took action and that it is entitled to a refund of duties levied after the price increase. Minibea claims it received a refund of only ¥720m when it was entitled to ¥1,190m.

● The Commission said yesterday it

was imposing provisional anti-dumping duties of up to 75 per cent on imports of large electrolytic capacitors made with aluminium from Japan, Reuters reports from Tokyo.

The EC executive said it had acted after an inquiry prompted by complaints from EC producers that cheap imports were harming their own sales and making them cut capacity.

An EC inquiry found that Japanese producers who co-operated in the inquiry were offering their product, used in the electronics industry, at prices between 14.1 per cent and 43.1 per cent lower than in Japan. These manufacturers will have to pay a duty equal to the difference between their export and domestic price while producers who did not co-operate will have to pay 75 per cent duties.

## Italy agrees Qatar LNG deal

By Robert Graham in Rome

ITALY has made a preliminary commitment to go ahead with a major deal to buy liquefied natural gas (LNG) from Qatar's extensive off-shore North Field.

Under a contract signed yesterday in Doha by the Qatar General Petroleum Corporation (QGPC) and Snam, the gas development and transportation subsidiary of ENI, Italy's state oil group, the Italians will study the purchase of 60m cubic metres of LNG a year, rising to 120m cu. m. Some gas could be sold on to other customers in Europe.

"This is just the beginning," a Snam spokesman said yesterday. "However, our track record shows when we initiate something we intend to finish it," he added.

The agreement yesterday envis-

ages the creation of a joint company 65 per cent-owned by QGPC and the remainder split between Snam and Enel, the Italian state power-generating concern. Snam will be responsible for the design, development, transport and sale of the LNG.

No price tag has been put on the deal but an agreement involving the sale of similar quantities of LNG to Japan's Chubu Electric has been costed at over \$2bn at current prices. Of this, \$200m would go on a liquefaction plant and \$1.7bn on the construction of seven LNG tankers. However, the liquefaction plant could also handle the processing of Italian LNG exports.

Attempts by Qatar to develop its North Field have been handicapped by long arguments over price. Similar considerations aborted efforts by Iran in the 1970s to sell

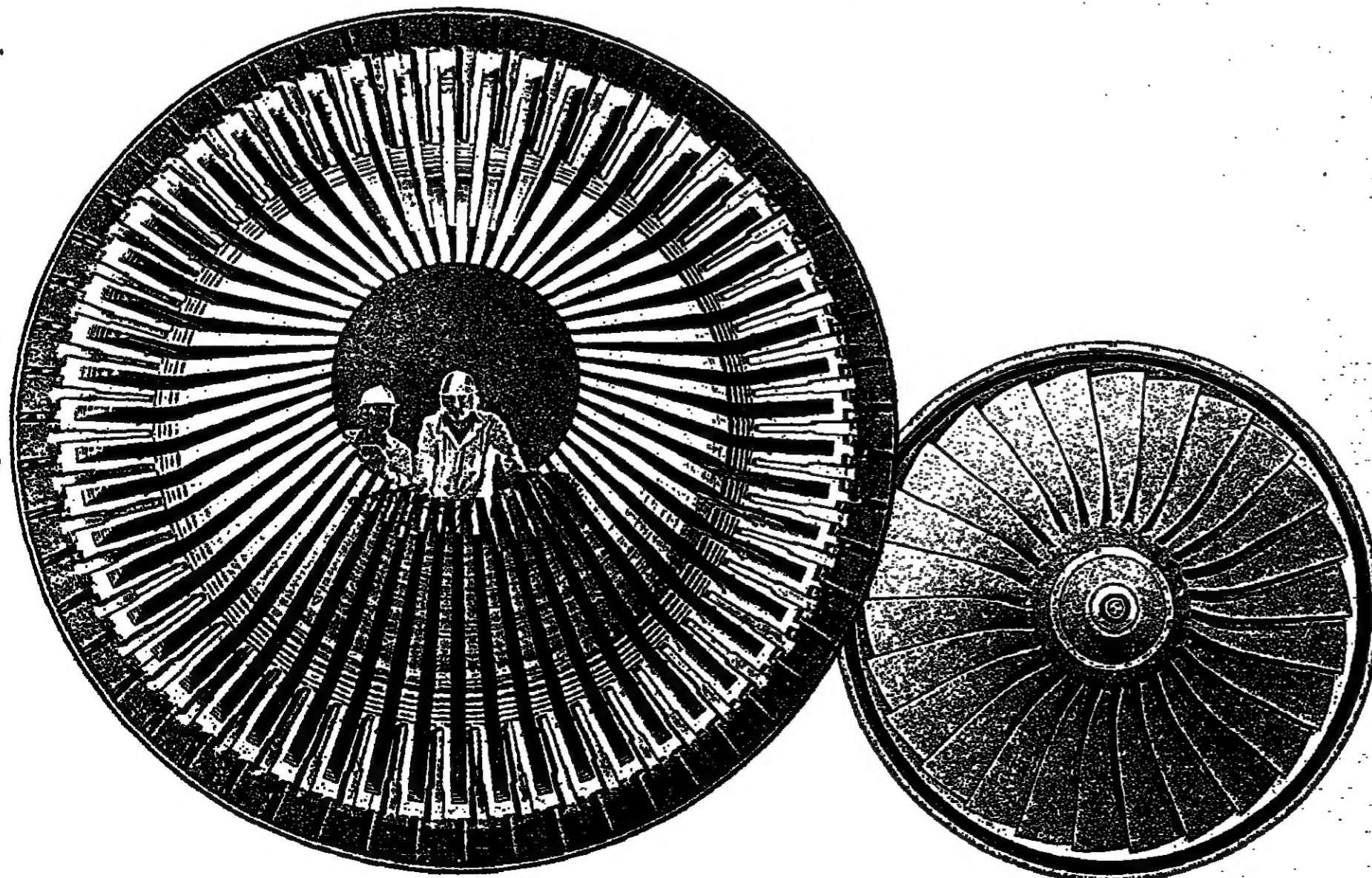
LNG to Spain. Other problems concern transit through the Suez canal. The Japanese originally envisaged exports to begin in 1997, but this target has now slipped to at least 1998. Even so, the Italian project yesterday talked of sales beginning in 1997.

Qatar last September awarded a \$700m contract to Italy's Condotte d'Acqua for the construction of a port at Ras Lufian, as part of the LNG sales project.

Until now, Italy has been relying principally on Algeria for the supply of gas and LNG. ENI decided recently to proceed with the construction of a second gas pipeline under the Mediterranean, between Sicily and Tunisia, to carry increased purchases of Algerian gas. There has also been talk of a deal with Libya.

# ENGINEERS

## EXTRAORDINARY



AS RECOGNISED by our customers, innovation and engineering excellence are the core strengths of Rolls-Royce. They are demonstrated by the Trent wide chord fan engine for the Boeing 777 and Airbus A330 and this stator core for a 350MW generator built by Parsons, a company within the Rolls-Royce Industrial Power Group.

Strengthened by a diverse industrial power portfolio, including Reyrolle (switch-gear) and Clarke Chapman (lifting gear), Rolls-Royce sales show it pays to put engineering at the forefront.



THE SYMBOL OF POWER



# Russian turmoil at government appointments

By John Lloyd and  
Leyla Boulton in Moscow

THE RUSSIAN government yesterday appeared to be in the grip of internal turmoil because of the appointment of three senior ministers with different perspectives and attitudes to those of the free-marketisers who have been commanding centre-stage.

Statements by Mr Vladimir Shumeiko, former deputy speaker of the parliament and now joint first deputy prime minister with Mr Yegor Gaidar, indicate that he wants a

more state-orientated strategy on privatisation and an immediate halving of the 28 per cent value added tax (VAT).

Mr Alexei Ulyukayev, the government's economic adviser, said yesterday that neither was government policy.

However, he refused to say whether Mr Shumeiko or Mr Gaidar was the senior first deputy: Mr Gaidar remained in control of economic strategy and of the country's finances, while Mr Shumeiko was in "operative control" of government policy.

Mr Ulyukayev indicated that

the government's first phase of radical reform was concluded. He said that "realities call for different tactics" and that "you can be a strict economic liberal, good at solving problems of the first period of reform, on the macroeconomic level, but the question of combining macroeconomic and microeconomic issues has not been solved...the next stage allows you to make certain changes in course."

Professor Yevgeny Yasin, the government's plenipotentiary to parliament who is engaged in drafting medium-term strategy, said that there

was a danger of the emergence of "two centres of power" around the two first deputy premiers.

Meanwhile, confusion deepened yesterday when parliament refused to accept the resignation of Mr Georgy Matukhin, the Central Bank chairman.

Mr Shumeiko told parliament that Mr Matukhin could not be directly blamed for all the failures of the bank and that, with only a year in office, he had not served long enough.

Mr Matukhin himself appeared and proposed a freeze on wages and prices as an

alternative to the 80 per cent interest rates for which he has been much criticised.

Mr Vassily Barchuk, the finance minister, said that he thought interest rates were too high even though government policy is to defend present levels.

Parliament refused to comment on such a freeze, refused to agree to Mr Shumeiko's suggestion that Mr Matukhin be appointed for a five-year term with security of tenure - a condition Mr Matukhin said was indispensable to his doing his job - and also refused to allow him to quit.

Mr Ulyukayev said that the government changes in personnel and tactics would have to be "explained" to the IMF, with which the government is negotiating a memorandum of understanding to allow it access to the \$24bn (£13.2bn) credits put up by the fund and the major foreign governments.

However, he added: "I don't want to give the impression that the government depends too much on the IMF for the success of the reforms. The key to resolving the problems of Russia lies here, in Russia."

# Brussels retreats from HDTV memorandum

By Andrew Hill in Brussels

THE EUROPEAN Commission has given up trying to persuade satellite operators, equipment manufacturers and broadcasters to sign a single document legally binding them to produce suitable programmes to promote high-definition television (HDTV).

The Commission has decided to change direction, by asking the industry groups to agree to a watered-down "declaration of intent". Companies will have to conclude bilateral contracts with the Commission, laying out their individual strategies, so as to benefit from its proposed Ecu500m (£260m) plan to encourage wide-screen television services in the EC.

Even so, the move is still likely to raise fears that the EC is trying to dictate HDTV strategy to industry. This was the flaw that crippled its original advanced television policy in the mid-1980s.

When it launched the HDTV action plan in April, the Commission proposed a legally binding "memorandum of understanding" as one of "three integral pillars" of its strategy, along with the plan itself and the directive on EC

satellite television transmission standards, agreed before Christmas.

Wide-screen television - a first step towards full HDTV - is unlikely to become a reality unless industry co-operates to produce suitable programmes and equipment.

Officials said yesterday that the Commission's action plan, rather than the memorandum, would now provide the backbone of the policy. They stressed that the plan had emerged from discussions with industry.

EC telecommunications ministers will discuss the five-year plan for the first time in Luxembourg today. They will reach no formal agreement because the European Parliament has yet to give its opinion on the proposal and because the controversial funding element depends on approval of the EC budget for 1993-97.

The commission may still have trouble getting industry to sign up before the terms and financing of the action plan are agreed. Industry representatives were to meet in Brussels on Wednesday to discuss the situation, but delayed the meeting until June 15.

# Poland faces crisis over list of 'police spies'

By Christopher Bobinski in Warsaw

POLAND'S interior ministry circulated lists of former secret police collaborators yesterday, threatening a crisis in the political establishment.

The list contains the names of some 60 people who presently work in parliament, government or the President's office. Mr Antoni Macierewicz, the interior minister, has sent the names to the heads of parliamentary committees and political parties.

The list, which amounts to around 10 per cent of officials vetted, has yet to be made public.

President Lech Walesa attacked the revelations yesterday, saying they could "completely destabilise state and party political structures".

He alleged that the interior ministry's files "were to a large extent false" and implied that some of the documents were fabricated by the secret services of other countries.

He also sought to forestall charges of collaboration. "I have been arrested many times. The first time was in December 1970 when I signed three or four documents... I never betrayed my ideals or my colleagues," he said in a statement released yesterday.

The government is already under siege and faces a no-confidence motion today which the opposition parties are expected to win. This would be the third government collapse in three years.

President Walesa has made it clear that he wants the dismissal of the present minority centre-right cabinet, led by Mr Jan Olszewski.

The list of those allegedly linked to the secret police includes the name of Mr Andrzej Olechowski, the finance minister, whose resignation is expected to be accepted tomorrow. Mr Olechowski, who is resigning in protest over a budget spending issue, yesterday said he had in the past been involved in intelligence work.

Mr Macierewicz's move followed a vote in parliament last week demanding that the names of former secret police informers in parliament and government office be revealed.

Parliament yesterday continued a debate on this year's budget which is expected to be passed.

Later Mr Walesa is expected to put forward his own motion of no-confidence in the present cabinet to support similar motions which are being tabled by several parties.

# Nato agrees peacekeeping role in Europe

By Robert Mauthner in Oslo

NATO foreign ministers yesterday agreed that the alliance should take on a new peacekeeping role in Europe, though there is no immediate prospect of it deploying troops in areas of conflict such as Yugoslavia while a durable ceasefire is not in place.

A statement issued by NATO foreign ministers said the 16 allies were prepared to support peacekeeping activities "on a case-by-case basis" on the specific request of the 52-nation Conference on Security and Co-operation in Europe. It is the first time that Nato, which was founded in 1949, has agreed to take action involving the defence of non-members.

Mr Manfred Wörner, the secretary-general, said the peacekeeping offer covered not only transport, other infrastructure facilities and supplies of military equipment, but also troops, if necessary. However, the statement was carefully worded to allow individual member states to opt out of any peacekeeping mission - to take account of

mainly French objections. France is opposed to giving Nato an enhanced role. The compromise finally reached can be interpreted as being either an offer from Nato or the member states.

Mr Lawrence Eagleburger, the US deputy secretary of state, expressed his country's strong support for the decision to make Nato's capabilities and assets available for CSCE-mandated peacekeeping operations. The CSCE, he said, had "a unique role to play as a flexible political instrument for managing democratic change and addressing

the root causes of conflict". However, both Mr Eagleburger and Mr Douglas Hurd, the British foreign secretary, stressed that the CSCE should be able to turn to international organisations, such as the United Nations and the nine-nation Western European Union for help in peacekeeping activities.

In separate statements, the ministers condemned the use of force in the former territory of Yugoslavia, and called for an immediate ceasefire in Nagorno-Karabakh, the Armenian enclave in Azerbaijan.



Sarajevo burns: the Bosnian capital has come under repeated heavy artillery barrage since the international recognition of Bosnia-Herzegovina's independence

# Sarajevo survives bombs only to starve

By Judy Dempsey in Belgrade

THE SIEGE of Sarajevo, the capital of Bosnia-Herzegovina, enters its third month today, as Serb militia groups continue to try to starve the city into submission, in retaliation for the international recognition last April of the former Yugoslav republic's independence.

But Dr Faruk Konjovic, a 55-year-old neurosurgeon at the city's general hospital, remains an irrepressible optimist. After all, he says, yesterday was a good day - snipers did not try to kill him on his way to work, the Serb militia and Yugoslav army did not bomb the hospital.

His surgical unit is short of everything. "We are running out of antibiotics, penicillin, and basic medical equipment. We are just about coping. I

look after 40 patients. All of them have very serious head injuries caused by explosives. We just have to keep working, day and night," he said.

Outside, no one dares linger in the streets. Public transport is at a standstill. The constant bombing of the city has made sure of that.

"It's eerie out there," said Mr Mirsad Becerovic, a journalist at Sarajevo radio. "I now sleep here at the radio station. When

held a fortnight hence, should aim to remove Mr Milosevic from power. The latter may claim he has a mandate after elections last Sunday won by his Serbian Socialist Party. However, the opposition boycotted them.

of Dobrinja, the people yesterday started to eat pigeons. The district has been completely surrounded by the Serb militia. Not a crumb trickles through the blockade. Mr Konjovic says the people, who have been without food or water for 26 days, are close to dying from starvation. "The only thing that keeps us going is the belief that the United Nations will send in troops to relieve the city," said Mr Becerovic.

Yesterday, the UN again tried to continue negotiations with Croat, Muslim and Serb forces, with the aim to reopen Sarajevo airport. Like the city, it is entering the third month of a Serbian-enforced blockade.

Everyone is hungry. Mr Konjovic says he cannot remember the taste of fruit or fresh vegetables. "We are living off rice and bread. No one is receiving any protein whatsoever. There is no milk for the children, no nourishment for the elderly."

In the neighbouring suburb

# Russia at heart of hostile alliances gives shape to former USSR

Deepening mutual distrust is evolving where once there were hopes of a loose commonwealth, write John Lloyd and Chrystia Freeland

THE post-Soviet states are not evolving towards the loose confederation they envisaged when they founded the Commonwealth of Independent States six months ago; instead, they are developing ever deeper mutual hostilities, within whose framework two alliances are beginning to form - one pro- and one anti-Russian.

This is accompanied by an increasing assertiveness on the part of Russian leaders, including those who came to power on democratic, anti-totalitarian programmes. Says Mr Sergei Stankevich, a state adviser to Mr Boris Yeltsin, the Russian president: "It is important for Russia to defend the legal and other rights of Russians outside of Russia. If it doesn't, it will seriously weaken the stature of the Russian president."

For political leaders in Ukraine, Moldova, Azerbaijan and the three Baltic states - now emerging as a loose, potentially anti-Russian alliance - political leaders fear that the old empire is striking back. Ukraine, the largest of these, is the decisive force in such an alliance - and the

judgment of Mr Mykola Mykhailchenko, political adviser to Mr Leonid Kravchuk, the Ukrainian president, is widely shared: "Russia wishes to become the successor of the old Russian empire. It has an economic crisis and its leaders are trying to rally the country around nationalist-patriotic ideas."

Ukrainian leaders and parliamentarians, alarmed by the decision of the Russian parliament to declare illegal the 1954 transfer of the Crimea from Russian to Ukrainian jurisdiction, think it is not an isolated action: Mr Mykhailchenko believes that Russia will make claims for border regions in Estonia and Kazakhstan as well as eastern Ukraine and Crimea, where there are areas of majority Russian populations.

The Baltic states are more concerned with continued stationing of Russian troops on their territories. General Pavel Grachev, the Russian defence minister, has said that troops will not be pulled out until 1999 - a timetable all the Baltic states have rejected. Estonia yesterday announced it was breaking off all talks

with Russia on the issue.

Mr Stankevich is indignant over Baltic claims that Russia is behaving like an imperialist power, especially since, in his and many Russians' view, legislation on citizenship and language introduced in these states discriminates against the Russians, who make up some 40 per cent of the Latvian population and more than 30 per cent in Estonia.

"The independence of the Baltic states was the cause of the Russian democrats: we cannot be blamed for the imperialist past. But now we are blamed for the troops being there. Meanwhile, our complaints about the abuse of human rights of Russians are ignored."

Moldova is the most alienated of the former Soviet states: its parliament has gone so far as to consider a declaration of war on Russia. Its militia is engaged with the forces of the separatist Russian population of the TransDniestr region, and it suspects that the Russian 14th army is heavily engaged on the side of the separatists.

Though Ukrainians are as numerous as Russians in the

TransDniestr area, they have tended to stay out of the fighting - and Moldova is careful to distinguish between them. Moldovan foreign minister Nikolai Titu visited Kiev yesterday after talks with Russian ministers - where he stressed that his government appreciated the neutral stance taken by Ukraine and that distrust for Russia remained high.

Says Mr Nikon Paslaru, spokesman for the Moldovan presidency: "The pro-imperialist tendency has become more evident. Earlier, Russian diplomats had to take into account the views of other republics. Now, when it has become clear that the CIS will end, Russia takes off the mask and spits on everyone else."

Not on everyone. Russia has a sphere of influence which it is increasingly defining: it includes the central Asian states, especially Kazakhstan, Turkmenistan and Uzbekistan, with which it has signed treaties of close co-operation and which, with Armenia, are mostly within the treaty of collective security, signed last month in Tashkent.

Both Mr Nursultan Nazarbayev, the Kazakh president



and Mr Islam Karimov, the Uzbek president, have made an alliance with Russia the cornerstone of their policy. Mr Karimov even told the newspaper Pravda that "Uzbekistan sees no future for itself without friendship with Russia" - a strong echo of the flatulent protestations of Soviet

days. The sphere includes Armenia - since that small, poor republic has discovered that it remains surrounded by Moslem states at least potentially hostile to it, and needs Russia's support once more. The 7th Russian Army is likely to stay in place, and Russian support

courted. By contrast, Azerbaijan - with which Armenia is in a state of undeclared war over the enclave of Nagorno Karabakh - inclines towards Moldova and Ukraine, from the latter of which have come many officers to act as technical advisers to the developing Azeri army.

The other states - Belarus, Georgia, Tajikistan and Kyrgyzstan - are in different ways seeking to differentiate themselves from Russia without provoking it. All, especially Belarus, acknowledge their huge economic dependence; but they have stayed out of a close, security arrangement. Georgia has stayed out of the CIS.

On some accounts, the area of legitimate Russian intervention is any former Soviet state, whether "friendly" or not. General Grachev earlier this week said Russia had the right to intervene in any neighbouring state when it felt there was a danger of foreign interference - a doctrine which could be used to legitimate a hostile intervention as much as a friendly one.

It is too early to say these two emerging blocs are hostile, and it is evident that they had contradictory as well as common interests. But on one side, there is a feeling of the flexing of Russian muscles; on Russia's side, there is resentment at the impatience of imperialism, yet Russia insists on a great power status and the definition of a sphere of influence.







## NEWS: AMERICA

# Change in US Summit's arch-demon waves a sharp trident forests may curb logging

By George Graham  
in Washington

THE US Forest Service is to change its forest management philosophy in a move that could sharply alter logging practices and help to revive indigenous tree species almost wiped out by rapidly-growing softwoods.

Mr Dale Robertson, service chief, has instructed regional foresters to start to manage the 192m acres of national forest under their authority as "dynamic and complex ecosystems," instead of concentrating on maximising timber production.

The new policy is to lead to a 70 per cent reduction in clear-cutting, where loggers clear an entire area of trees and brush, and to a greater use of less intensive logging techniques that leave some trees standing. At the moment, clear-cutting is used on about a third of the 800,000 to 900,000 acres harvested each year in national forests, and accounts for a much higher proportion of timber volume.

The Forestry Service also aims to restore traditional North American tree species, including east coast hardwoods and the western ponderosa pine, which has been largely superseded by faster-growing species such as Douglas fir and lodgepole pine.

Forestry officials said reduction of clear-cutting would lead to a short-term drop of about 10 per cent in timber volume harvested, but added that volumes would return to their previous levels over time, through development that pays attention to variations in tree maturities.

Stable volumes would imply

logging on larger acreages. This might be difficult because of environmental challenges to logging of any kind on vast areas of national forest land that shelter endangered species of wildlife.

Even so, some foresters argue there is ample scope for sustaining volumes by thinning existing forests.

The exact consequences of the new eco-system in forest management policy are difficult to predict, especially as it is by no means clear that Mr Robertson will be allowed to proceed with his policy change by President George Bush.

He likes to call himself the "environmental president" but his administration has usually considered timber industry jobs more important than ecological concerns.

Industry officials argue that clear-cutting is not just the cheapest way to harvest trees, but also the best way to ensure replanting.

"It's cheaper, but it is also often the best way to get regeneration," said Ms Anne Helsenbittel, director of forest planning and policy at the National Forest Products Association.

However, Mr Neil Sampson, executive vice-president of American Forests, a conservation organisation, says that the Robertson memorandum would represent a dramatic shift from the European philosophy of treating forests as agricultural factories by planting acres of single softwood species.

"It's not a non-economic view of forest management. It's a view which says people may not be powerful enough or smart enough to replace a natural forest with an artificial forest," he said.

By David Lascelles and  
Christina Lamb



It was, Bill Reilly admitted, "a character-building experience".

The head of the US Environmental Protection Agency was the summit's arch-enemy before he even arrived in Rio because of the US's obstructive attitude towards the treaties. His eventual appearance on Wednesday unleashed a barrage of hostile comment.

But the youthful Mr Reilly

rose to the occasion with a highly accomplished performance. He appeared at a press conference wearing a green flecked tie and bright green handkerchief and fielded sniping questions for the better part of an hour.

Reilly cuts a good public figure. He has well-chiselled looks, a fluent tongue and a phenomenal memory for facts and figures. Every answer he gave contained some supporting nugget, ranging from the amount of waste produced per capita in the US (4lb a day), to the volume of US aid compared to other countries.

But for many people it was

also a poignant performance. He was, after all, once president of the US arm of the World Wide Fund for Nature and is widely believed to have accepted the EPA job because he believed George Bush's claim to be the "environmental president". That has not turned out to be the case. And Mr Reilly now has to defend the record of an Administration with which he must feel deeply at odds.

The Earth Summit produced its first result yesterday - a treaty to limit greenhouse gases which produce climate changes. But many admitted it

fell short of expectations. President Fernando Collor of Brazil, the first to sign, said the complexity of the negotiations had reduced its scope, though he stressed it was an important beginning.

The treaty obliges signatories to come up with plans to limit greenhouse gas emissions, but it does not, as first hoped, impose an actual duty on them to reduce emissions.

However a group of "like-minded countries" led by Austria, Switzerland and Norway is trying to win support for a side declaration that would impose an actual target of reducing emissions to their

1990 levels by the year 2000. The treaty requires ratification by 50 countries. No summit participant has said it will not sign, so it is certain to come into force.

ONE of the less welcome guests at the Earth Summit is Mr Michel Camdessus, managing director of the IMF. Brazil failed to meet the first quarter targets of its latest IMF accord in April and looks unlikely to meet the next quarter with inflation remaining stubbornly at 20 per cent a month. Economy Ministry officials are vainly hoping that in the interests of a better climate Mr

Camdessus will politely not mention the matter and instead restrict his interest in things green to trees and plants.

Referring to Mr Camdessus as "the Grim Reaper," one official said yesterday "if he starts talking economics he could really wreck the party."

Brazil, which has never taken the second drawdown of an IMF loan, still barefacedly insists "we only sign agreements we can keep" - perhaps something the UN conference organisers should bear in mind as Brazil rushes to be first to sign summit treaties.



On the defensive: William Reilly (below), head of the US Environmental Protection Agency, deftly fields questions at the Rio summit yesterday

## UK likely to sign diversity accord

By Stephen Fidler, Latin  
America Editor

THE BRITISH government hopes and expects to sign a convention on biological diversity at the Earth Summit in Rio de Janeiro, government officials said yesterday.

However, they were not optimistic that the US government could be persuaded to do so.

Britain had initiated the biodiversity convention, which deals with survival of species, but then had second thoughts because of concerns that it implied an open-ended financial commitment from the developed world.

Although British and US officials have discussed the issue, Washington's concerns about the convention remain much more broadly based.

Mr John Major, UK Prime Minister, is to visit Washington at the weekend after meetings today with Chancellor Helmut Kohl of Germany.

British officials said European Community issues, including the rejection of the Maastricht treaty by Danish voters this week, would play an important part in the meeting. They would also discuss the Uruguay Round of the Gatt trade talks and the British presidency of the EC in the second half of this year, as well as European defence and security issues.

The Rio summit was not high on the agenda.

Britain's main worry there will be the bio-diversity convention. It expects to sign other accords, such as the climate change convention, to be presented at the summit.

Before flying to Rio on Wednesday, Mr Major is to go to Colombia, to begin the first visit by a serving British prime minister to South America. He will go to the cities of Cartagena and Bogotá, as well as British Petroleum's important oilfield development at Cusiana.

## The big unanswered questions are who will pay and how much

# Agenda 21: ambitious action plan to clean up planet

By David Lascelles in Rio de  
Janeiro

Y far the most forbidding document for consideration at the Earth Summit is the so-called Agenda 21, an action plan to clean up the planet which runs to 490 pages, with 40 chapters and no fewer than 115 specific clean-up programmes.

But this weighty tome will also be one of the hottest items at Rio because it raises the question of who pays for the clean-up. Although most of the text was agreed before Rio started, the section on finance is still completely blank, and Mr Joseph Wheeler, the UN official overseeing it, says: "The finance negotiations will be very tough. We'll not see the results until the very last minute."

The whole tone of Agenda 21

(so-called because it is targeted at the 21st century) is based on the view that the world stands at a critical juncture, and that it will have to "change course" to survive - a familiar Rio battle cry. The new course will be sustainable development, meaning that present day consumption must not impair resources for future generations.

But Agenda 21 also asserts that poverty, and the gap between North and South, must be overcome if the world economy is to flourish. Hence its strong emphasis on the need for greater flows of aid money and technology from North to South, something the rich countries are wary of.

One of the largest sections deals with ways of protecting all features of the environment, the atmosphere, land, water, forests, mountains and so on, some of which will be backed

up by separate Rio treaties. It also addresses the need for better management of waste: toxic, hazardous and radioactive. A further section discusses the role that various groups can play in improving the environment: women, children, local authorities, non-governmental organisations, business, scientists, farmers and even trade unions.

Most of this is so obviously desirable that it was approved with little controversy, though specific interest groups are agitating for improvements in their pet subjects.

The big problem comes in the North-South issues. Many industrial countries think Agenda 21 is tilted too much in favour of the Third World, and they are worried that it could turn into a massive demand for aid. Some of them, including the US, also resent a statement early in

the document which says: "One of the most serious problems facing the planet is unsustainable consumption and production patterns leading to environmental degradation, aggravation of poverty and imbalances in the development of countries." They see this as a direct attack on their economic policies, and want it excluded.

On the other hand, Third World countries think Agenda 21 favours the rich countries because, in their view, it is soft on trans-national corporations and transfers of technology.

When UN organisers of the Earth Summit were asked to produce estimates of how much it would cost to implement Agenda 21 in the Third World alone, they calculated it at \$825bn a year - a headline-grabbing figure if ever there was one. This

was not intended to be an aid demand, but it was widely interpreted as such and did considerable damage to Agenda 21's prospects.

Of this sum, \$500bn was supposed to come from the Third World itself, which upset many of those countries because they thought the rich countries should shoulder the burden. The remaining \$125bn was supposed to be in the form of aid from industrial countries, which upset them as well.

No one takes any of these figures seriously now, and it seems most unlikely that they will survive Rio. Mr Gordon Shepherd, an official with the World Wide Fund for Nature, says: "What matters is not how much money there is but how it is spent." But that is not to say that the industrial countries will dismiss all requests for aid.

Many of them, including EC members, have agreed to make "new and additional funds" available, and the next 10 days will show how willing they are to dress that up with hard cash. Dr Asnar Vogel, the director general of the German Environment Ministry, says: "Industrial countries have to give a clear signal to the world that they consider themselves in a position of responsibility, and that means helping developing countries."

Agenda 21's final section proposes ways of ensuring that the work is carried out. It proposes the creation of a Commission on Sustainable Development which would be part of the UN and have the job of keeping up the pressure on signatories. The UN General Assembly would hold a special session no later than 1997 to review and appraise Agenda 21.

## Bush gets a second wind for Americas

Stephen Fidler on Washington's injection of new life into its hemisphere initiative

WHEN Mr Nicholas Brady, the US treasury secretary, sits down with Latin American finance ministers in Washington later this month, one of his tasks will be to inject new life into a US initiative which some see as flagging.

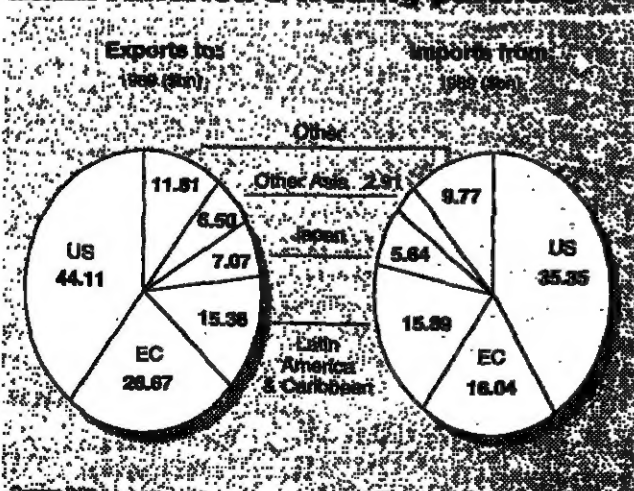
The Enterprise for the Americas Initiative (EAI) was launched nearly two years ago by President George Bush as the first comprehensive US policy for Latin America since President Kennedy's Alliance for Progress more than 30 years ago.

It placed economic partnership at the centre of post-Cold War relations between the US and Latin American democracies. It stressed regional trade liberalisation - opening up the possibility of a free trade zone from Alaska to Antarctica - reform of investment regimes and official debt relief.

Former secretary of state Mr Henry Kissinger called it the most creative international policy measure undertaken by the Bush administration. Mr John Sewell, president of the Overseas Development Council, a study group based in Washington, described the EAI as the first "post-cold development policy".

Carrying none of the paternalism of previous US policies towards the region, the EAI was applauded by almost every Latin American leader. Although there were some worries that the US was replacing an insistence on anti-communism with an insistence on neo-liberalism as the basis of policy, it succeeded in addressing current concerns of Latin American governments with-

### Latin America's trading partners



out proposing resource transfers to the region that the US could ill afford.

The launch of the initiative came two weeks after the president's announcement of his intention to seek a free trade agreement with Mexico and agreed to signal a new-found US interest in the region beyond the usual concerns about drugs and immigration.

The prospect for a partnership was reinforced by the willingness of the Bush administration to work through the Organisation of American States, an organisation it ignored throughout the 1980s. The culmination of this was the June 1991 Santiago declaration which committed member governments to help defend democracy in the region.

Since then, however, some of the good feelings have dissipated. The OAS proved help-

less to reverse a military coup in Haiti, was stunned by an attempted coup in Venezuela and divided over how to deal with President Alberto Fujimori's dissolution of Peru's Congress in April.

Meanwhile, the EAI also showed signs of losing momentum. According to Mr Mark Falcoff, of the American Enterprise Institute, the new policy had "fallen from the screen". Mr Viron Vakey of the Carnegie Endowment said he was "becoming more and more pessimistic about the policy".

Each of the three parts of the initiative suffered delays. The trade: By October 1991, the US had signed bilateral framework agreements - the first step to a free trade accord - with all Latin American countries except the Dominican Republic, Haiti, Surinam and Cuba. But negotiation of free-

trade agreements with other countries has had to await the completion of talks with Mexico and Canada over the North American Free Trade Agreement, which have been going more slowly than expected. Chile will be next in line.

Investment: Two new programmes were set up with the aim of encouraging return of economic policies and investment regulation. The first was an Inter-American Development Bank programme to support investment liberalisation and privatisation, from which countries such as Colombia have already benefited.

The IADB was also to administer a \$1.5bn Multilateral Investment Fund to which the US, Japan and the EC would each contribute \$500m each year for five years. Some EC countries, including Britain, declined to contribute, with part of the shortfall being made up by Latin governments.

However, in April, the US Congress refused to vote US funding, which meant matching funds from Japan would be unavailable.

Foreign debt: Covering \$15bn in bilateral debt owed by Latin countries to the US, it allowed for interest payments to be paid in local currency for an environmental fund and the cancellation of certain loans through debt-for-equity or debt-for-nature swaps.

Although only a modest benefit overall - the savings if fully implemented would amount to \$400m a year - this was potentially important for some countries, such as Jamaica, with heavy government-to-government debt. Some debt has already been

reduced, but the vast majority was also held up in April by Congress.

These delays have contributed to a sense of frustration among Latin governments and a concern that US interest in the region will prove as transitory as it has in the past.

Mr David Mulford, US treasury under-secretary for international affairs, disagrees with this view. Admitting congressional delays were a setback, he said this week that the Bush administration remained strongly committed to the initiative, and would press for passage of the relevant legislation in the current fiscal year. Latin America, he pointed out, was the fastest growing foreign market for the US. "A strong Latin America is good for the US economy," he said.

Those invited to Washington on June 24-25 are finance ministers from a dozen governments which have benefited either from Mr Brady's bank debt reduction initiative or the EAI, or those expected to benefit in the near future, such as El Salvador and Brazil. Mr Enrique Iglesias, president of the IADB, will also attend. Mr Mulford said the meeting would provide the opportunity for consultation before the summit of the Group of Seven in Munich early next month.

While this should help to promote the idea of a hemisphere partnership, finance ministers will also be interested to hear how the US proposes to advance the Enterprise initiative. Interested and probably - given the narrow preoccupations of Congress and Mr Bush's own concerns - sceptical.

## Emergency declared as floods hit Argentina

ARGENTINA declared three provinces in a state of emergency after the worst floods in nearly a decade killed 28 people and forced over 250,000 from their homes in northern Argentina. Paraguay and southern Brazil, Reuter reports from Buenos Aires.

Mr Jose Luis Manzana, Interior Minister, said the Argentine government had declared the northern provinces of Formosa, Chaco and Corrientes in a state of emergency and was putting three other provinces, Santa Fe, Entre Rios and Buenos Aires, on alert.

Heavy rains over the past two weeks caused the Paraguay, Paraná and Uruguay rivers to overflow, sweeping flood barriers away and inundating hundreds of towns and villages on their banks.

Officials in Brazil said 26 people had died in the southern states of Santa Catarina, Paraná and Rio Grande do Sul where nearly 100,000 people had abandoned their homes.

In northern Argentina, where two men were reported drowned, Manzana estimated that over 80,000 people had been evacuated so far.

Paraguayan authorities stood by to evacuate the 40,000 inhabitants of the town of Pilar, where the waters were threatening to break through flood barriers. Around 65,000 Paraguayans from low-lying areas of the capital Asunción have been moved to emergency camps on higher ground.

## Senate defeats bid to cut TV funding

By Jurek Martin in  
Washington

CONSERVATIVE attempts to cut federal funding for non-commercial radio and TV in the US have been defeated in the Senate. On Wednesday night, the Senate passed, by 84-11, a \$1.1bn (\$610m) three-year authorisation for the Corporation for Public Broadcasting, having earlier rejected by 75-22 a proposal to freeze funding at present levels.

As a concession to conservatives, the bill stipulates that "indecent programming" should in most cases only be broadcast after midnight. Content of this category was not defined, but conservatives have in mind programmes devoted to sympathetic looks at homosexual lifestyles and art they consider obscene.

Right-wing complaints about the "liberal" values and alleged political bias of public broadcasting are not new. But this year's debate has been given different twists, particularly through the engagement of the

prominent conservative columnist, Mr George Will.

The argument this time was that it was wrong to subsidise programmes for the US elite while the general watchword was budgetary austerity. Senator Trent Lott (Republican, Mississippi), charged that the funding bill "clearly amounts, for the most part, to an upper-middle-class entitlement programme." The standard fare on non-commercial TV runs heavily to British imported drama, interspersed with current affairs, political talk shows, and arguably the best nightly news show: the MacNeil-Lehrer Report.

Few non-commercial stations make their own programmes, many surviving on federal funds and subscription drives. Even supporters of public broadcasting concede the system is not cost-effective. But public broadcasting has strong backing in Washington, shown by the fact that nearly half the Senate Republicans joined the Democratic majority in rejecting the fund-cutting motion.

## Surgery for Buchanan

REPUBLICAN presidential contender Patrick Buchanan will undergo heart surgery today to replace an aortic valve, his campaign said yesterday. Reuter reports from Washington.

Doctors expected him to recover fully in about seven weeks. The surgery will be performed at the Washington Hospital Centre. Mr Buchanan, 53, a conserva-

tive television commentator and newspaper columnist, challenged President George Bush strongly in New Hampshire and other early primaries this year, in some cases winning more than 30 per cent of the vote.

But his challenge has faded in later contests and Mr Bush easily beat him on Tuesday in the Californian Republican primary.

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## Kenya aims to rescue economy

By Julian Ogunni in Nairobi

KENYA, its economy in turmoil, unveiled a budget yesterday aimed at restoring confidence and winning back foreign aid suspended last November because of economic mismanagement and failure to democratise.

Professor George Saitoti, vice-president and minister of finance, told parliament he proposed to reduce the deficit for the year ending June 1993 to 3.5 per cent of gross domestic product (GDP) from 3.5 per cent at present and 4.5 per cent last year.

This is to be achieved through stricter spending controls and limited revenue raising measures. For the first time, Prof Saitoti acknowledged the need to cut numbers in the bloated civil service and speed privatisation.

Prof Saitoti said Kenya would move toward import parity pricing and variable duties on agricultural commodities, lowering of import duties, marginally reduced individual and company taxation and more export incentives.

Western donor organisations and governments suspended aid worth an annual \$800m seven months ago to pressure Kenya into radical reform of its heavily centralised economy, notably its costly state companies or parastatals.

The budget acknowledges the severity of the problems facing Kenya, which recorded its first negative per capita income growth in eight years last year, and seeks to resolve the fiscal and policy problems which led to the donors' radical action last year.

Prof Saitoti said economic growth had slumped in 1991 to 2.2 per cent (a real per capita income decline of 1.3-1.5 per cent), down from 4.3 per cent in 1990, primarily as a result of drought, low coffee prices and a squeeze on public-sector imports forced on the government after donors cut off quick disbursing balance of payments support worth about \$30m (\$16.5m) a month.

Prof Saitoti announced a slight balance of payments improvement because of a 26 per cent growth in export earnings, caused by a surge in non-traditional manufactured exports, a squeeze on public sector imports and bilateral debt reschedulings.

## Gaza turned into 'huge prison'

By Hugh Carney in Jerusalem

THE ARAB League yesterday accused Israel of having turned the impoverished Gaza Strip into a "huge prison" by sealing the narrow coastal territory for 11 days and cutting off its 750,000 Palestinian inhabitants from access to work in Israel, their main source of income.

The closure, imposed after a Gazan had stabbed a 15-year-old Israeli schoolgirl to death in a Tel Aviv suburb, has become a bound up in the campaign for the Israeli general election on June 23.

The ruling Likud party of Mr Yitzhak Shamir, the prime minister, is afraid another stabbing might follow the end of the closure, provoke a repeat of angry anti-Arab riots and draw criticism from the opposition Labour party.

Yesterday, a Palestinian was shot dead in Bethlehem, in the West Bank, after stabbing and wounding an Israeli policeman.



About 500 demonstrators clash with police outside the Diet building in Tokyo last night in a protest against a bill to allow Japanese troops to act as United Nations peace-keepers. The opposition Socialist party forced repeated delays in a marathon debate on the Peace-keeping Operations Bill.

## Japan expects 3.5% annual growth rate

By Stefan Wagstyl in Tokyo

THE Japanese government expects the economy to grow at an average rate of 3.5 per cent annually over the next five years, according to drafts of a long-term economic plan to be published this month.

The plan, prepared by the government's Economic Planning Agency, envisages growth being led by domestic demand, including public and private spending designed to improve the standard of living in Japan.

The expected contribution from domestic demand will be set at 3.75 per cent; the net contribution from external demand will be negative. This means that import growth will exceed export growth and that Japan's trade surplus, hobbled by its relations with the US and Europe, will shrink.

Even though the plan has been drawn up in the middle of a sharp slowdown in the Japanese economy, its conclusions are generally upbeat. It assumes that Japan will pull out of the current downturn towards the end of the year.

The government is sticking to a forecast of 3.5 per cent growth for the current financial year, which started in April, even though the Organisation for Economic Co-operation and Development expects to see a far slower rate of growth.

The government was watching the effects of a package of economy-boosting measures, announced two months ago, including a cut in the official discount rate and the advancement of planned public investment from the second half of the financial year to the first.

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## Indian police raid broker's properties

By Richard Waters and R C Murthy in Bombay

POLICE in Bombay raided yesterday more than 34 homes and offices belonging to the broker at the centre of the securities scandal and to his family.

Mr Harshad Mehta, who was later taken away for interrogation, was also named in the first criminal indictment filed over the affair, along with 12 others. These included his wife Jyoti and brothers Ashwin and Sudhi, with senior officials of the State Bank of India, the country's largest commercial bank.

The indictment had been filed by the Central Bureau of Investigation at a special court hearing in New Delhi last Friday, but not previously published. It alleges criminal conspiracy and breach of trust, cheating, forgery, falsification of accounts and bribery.

Among those named was Mr C L Khemani, the State Bank deputy managing director in charge of treasury operations. The bank's chairman was told to go on leave on Wednesday, pending his retirement at the end of next month.

Assets belonging to Mr Harshad Mehta, his family and companies had been frozen by the CBI, which is investigating how Rs30.5bn (\$600m) was illicitly taken out of the banking system.

The CBI's action so far relates to only one part of the affair - dealings between Mr Mehta and the State Bank, which channelled Rs170bn of

transactions through him in the inter-bank markets since last July.

Some Rs4bn belonging to the National Housing Bank was later used to pay off part of Mr Mehta's debts to the State Bank, after the money had been routed through the broker's current account at ANZ Grindlays.

NHB cheques were paid by Grindlays into Mr Mehta's account, even though they were made out to the bank itself and carried no instructions to pay Mr Mehta.

Grindlays has claimed this was normal market practice between banks and brokers. A broker may have a cheque credited to his account the day it is received only when the cheque is made out in a bank's name and drawn on the Reserve Bank of India, the country's central bank.

The affair has pitched Grindlays into head-on confrontation with the Reserve Bank. It owns NHB, and is trying to press Grindlays into setting up a provision to reflect its liability to refund the money.

The CBI's attention is expected to spread to other aspects of the affair. These include the way in which Standard Chartered and two subsidiaries of the state-owned Canara Bank came to be owed Rs12.8bn between them by Bank of Karad and Metropolitan Co-operative Bank, both of which lack sufficient assets to repay the money.

The Bombay stock exchange has fallen by a third to 3,000 since the share scandal broke.

## Marcos friend claims war loot built fortune

By Jose Galing in Manila

MR ENRIQUE ZOBEL, a Manila businessman who was a confidant of the late Philippine president Ferdinand Marcos, claimed yesterday that the dictator had gold deposits abroad worth more than \$35bn (\$19.4bn) - much of it Second World War loot obtained from a Japanese general.

Mr Zobel, one of the most respected businessmen in the country, said in a television interview that Mr Marcos, before he died in exile in Hawaii in September 1989, was working on a trust fund that would assume control of the gold deposits and "retire the country's foreign debt".

"I saw the actual certificates of gold bullion deposits. All

those documents that were shown to me are now in Bongbong's possession," Mr Zobel said, using the nickname of Mr Marcos's son, Ferdinand Jr.

Mr Zobel said that besides the \$35bn worth of gold deposits now frozen in Switzerland, Mr Marcos had other gold deposits elsewhere in the world. In all, these deposits were estimated by Mr Zobel to be worth \$35bn. Previous estimates of the Marcos wealth have been about \$10bn. He claimed the gold had come mainly from the wartime loot of General Tomoyuki Yamashita, who is known to have died in the northern Philippines.

During the Marcos years, Mr Zobel was head of the property-based conglomerate, Ayala Corporation.

## Foreign press sparks fury over Tiananmen Square

By Alexander Nicoll, Asia Editor

THE CHINESE government, in marked contrast to its stated policy of opening to the outside world, has stepped up interference in the work of foreign journalists in Beijing.

Mr James Miles, Beijing correspondent of the British Broadcasting Corporation, has been banned from reporting while his journalist's pass is being held by the authorities. Mr Miles was detained for five hours on April 30 after covering a protest by European MPs in Tiananmen Square.

The Japanese and German governments lodged protests with the Chinese foreign ministry over the beating and detention of reporters on Wednesday. France has said the treatment was unacceptable.

Reporters from TBS television of Japan, DPA news agency of Germany, and ABC News of the US were detained for three hours as they attempted to report from the square on the eve of the third anniversary yesterday of the bloody crackdown on pro-democracy campaigners, in which hundreds were killed.

An ABC correspondent, Mr Todd Carroll, and a Japanese cameraman, Mr Atsushi Yamaguchi, were beaten up. The Chinese foreign ministry justified use of force because reporters had broken the law.

Hong Kong's negotiators have indicated their desire to settle the matter but do not believe the Chinese have come completely clean on all their concerns. Some believe the Chinese were upset by Mr Major's positive reception in London of Mr Martin Lee, leader of the opposition United Democrats party in Hong Kong.

Others, however, believe that Chinese civil servants prefer to push tough decisions up to a higher level. "Decisions are dangerous if you live in that system," says one observer. "They understand the need to resolve it but understanding and meeting it are two different things. It is better if you can get your superior to take the decision."

One official said the Chinese were worried about the extent of contingent liabilities which would be inherited by Hong Kong's post-1997 government, particularly HK\$12.5bn in "callable equity" - financing which the government would provide, but only if necessary.

China's delay in approving financing plans for Hong Kong's new airport is causing concern among managers of the HK\$12.5bn (\$2.5bn) project about slippage of the tight construction schedule.

Under the memorandum of understanding signed last September by Mr John Major, the UK prime minister, and Li Peng, his Chinese counterpart, China agreed to take only one month in consultations to approve the airport's financing plans.

The Hong Kong government gave China detailed plans in early April, but has so far received no final response as informal consultations continue. The airport and its associated roads, railway and bridge are due to open before June 1997, when sovereignty over Hong Kong reverts from London to Beijing.

If agreement is not reached, the subject could be discussed by Mr Major and Li when they meet next week at the earth summit in Rio de Janeiro. The delay may cast doubt on what was achieved by the memorandum of understanding, under which China won considerable involvement in the project - as well as a visit to Beijing by Mr Major to sign the deal - in return for agreeing to the airport's going ahead.

Hong Kong government officials dismiss concerns about the construction timetable, saying that no work is being held up by the delay. But Hong Kong needs China's blessing in order to bring the financing plans before the local legislature, which ends its session on July 18.

"If we slip beyond that date it could cause significant delays to the project," said one senior official. "The Chinese understand that."

One official said the Chinese were worried about the extent of contingent liabilities which

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## NEWS: UK

## MoD puts a spanner worth £941 in the works

By David White,  
Defence Correspondent

Britain's Ministry of Defence (MoD) found it was buying spanners for £941 each when it could obtain them elsewhere for less than one eighth of the price.

By switching to an alternative supplier, it reduced the cost of the spanners - for use on heavy-vehicle hub nuts - to £113.

In another case, army investigators queried the price being asked for forked crowbars - £94 each. Another manufacturer, brought in to reverse-engineer the crowbar, made it for £19.

These are among cases cited in a report by the National Audit Office, the public spending watchdog, into the military spares business.

The MoD spends £2bn a year on spares and holds more than 2.7m different items in its inventory.

The price difference on those two orders alone amounted to £285,000. The report identified other savings - including £580,000 a year saved by buying spares for British Aerospace's Rapier missile system direct from sub-contractors - but said there was room for improvement.

The MoD carried out a major study five years ago to check suspicious that it was overpaying for spares.

It put potential savings at £75m a year. Proposals included diversifying suppliers and purchasing in larger quantities. But the NAO report found that "some of the proposals are by no means widely applied".

More spares contracts were now being awarded after competition, but the proportion in value terms was still only 25 per cent in 1990-91. This compared with a figure of 44 per cent in the overall MoD procurement programme and 66 per cent for military spares purchases in the US.

● The Royal Navy will seek 1,150 redundancies next year, including 450 officers. These are in addition to 400 decided for this year.

The measure, announced in a written parliamentary reply by Mr Archie Hamilton, armed forces minister, underlines the difficulties all three forces are having in achieving manpower reductions simply by limiting the inflow of recruits.

## Dutch group plans action on insurance loss

By Richard Lapper

A LEADING European reinsurer is set to take legal action in a bid to recover losses of more than £150m (£150m) made in "spiral" reinsurance business underwritten in the London insurance market.

Spiral reinsurance - in which companies and syndicates at the Lloyd's insurance market reinsure each other's exposures to catastrophe risk - has already caused considerable controversy at Lloyd's where hundreds of Names face financial ruin as a result of losses by specialist spiral syndicates.

Amsterdam-based Nederlandse Reassurantie Groep (NRG) is taking the action after running up heavy losses at its Victory subsidiary, which it bought from Legal & General in 1990.

NRG alleges that its advisers in the transaction: Ernst & Young, the accountants, Bacon & Woodrow, the consultant actuaries, and Swiss Bank Corporation, its investment bank, failed to advise the company about Victory's exposure to claims from marine and aviation reinsurance transactions.

The Dutch company says: "The advisers failed properly to assess the account and failed to issue any warning about the possible extent of the shortfall at the time of acquisition."

NRG paid L&G £120m for Victory in July 1990. But subsequently the Dutch company has been forced to set aside some £150m (£150m) in extra provisions as claims from insurance policies underwritten

ten before the transaction have emerged. The company has been hit by a series of catastrophic losses, including hurricane Hugo, which struck in the latter half of 1989.

Mr Willem Dikland, chief executive, said NRG would be seeking substantial damages, probably in excess of £150m. Mr Dikland indicated that NRG may not have bought Victory had it been aware of the scale of these exposures.

The moves over Legal and General follows the decision by Internationale Nederlanden (ING), the Dutch financial services group and NRG's main shareholder, to buy out minority shareholders in NRG.

ING's decision is part of a £150m deal to replenish NRG's reserves against claims on the London marine insurance market. ING has said it would pay £112m to minority shareholders and inject £150m into NRG.

The planned capital boost follows the discovery that reserves against marine insurance claims at Victory Reinsurance, acquired from Legal and General in late 1990, were inadequate. The Dutch group said.

London solicitors Allison & Humphreys expect to issue writs later this month. Colin Lever, senior partner at Bacon & Woodrow, said his firm would "vigorously resist" any action.

The Swiss Bank Corporation, meanwhile, said it had not been required to provide advice on Victory's reserves. A bank spokesman said: "It is a matter of surprise and regret to SBC that it has been named in the action."

## REACTIONS AT WESTMINSTER TO DANISH VOTE

# Tory Euro-sceptics celebrate 'fresh start'

By Philip Stephens,  
Political Editor

I TOLD you so. The refrain echoed around the corridors of the House of Commons yesterday as the Conservative Party's Euro-sceptics celebrated the threatened collapse of the Maastricht accord.

For Mr John Major it was a reminder that the divisions in his party over Europe had been submerged rather than banished by the skilful compromise he negotiated last December with his European partners.

After the lengthy spell in the political wilderness which followed the enforced departure of their mentor, Mrs Margaret Thatcher, the opponents of closer European integration were claiming that the tide had at last turned in their favour.

The 23 Conservative MPs who defied Mr Major last month to vote against the Maastricht treaty were claiming that another 50 or so were ready to demand a renegotiation of the deal on political and economic union. They backed their claim with a parliamentary motion

bearing the signatures of 70 colleagues who were ready to call for a "fresh start" to map out the future of Europe. The rebels were confident that by today the number would have reached close to 100.

Privately some junior members of the government were adding their voice to the assessment that the careful consensus that Mr Major had built up around the Maastricht accord was now shattered. "There is a feeling of liberation around the place. The agreement is dead," one junior minister said.

The party's managers at Westminster were taking a more sanguine view, emphasising that the Danish decision inevitably had created an over-cautious mood, particularly among those new MPs with little experience of Westminster.

Senior ministers were quick to point out that the motion - signed around 20 of the new intake - was not an outright repudiation of Maastricht. Its call for a new direction for the EC during the British presidency was easily reconcilable with Mr Major's determination to put the completion of the single mar-

ket and enlargement at the top of his agenda.

The prime minister, meanwhile, emphasised his view that any attempt by Britain to re-open the terms of the Maastricht deal in the wake of the Danish referendum would carry as many hazards as potential benefits.

Those close to him said that Mr Major remained convinced that the concessions he had negotiated for Britain - including an opt-out from the social chapter and from the commitment to a single currency - could well be threatened in a renegotiation.

But if there was general agreement in the cabinet that Britain should not be seen to waver, there was also a mood among some ministers that it should be carefully equal not to emerge as too enthusiastic a champion of the accord.

Mr Norman Lamont, the chancellor of the exchequer, Mrs Gillian Shepherd, the employment secretary, and Mr Peter Lilley, the social services secretary, were said to be among those arguing that the second-thoughts in the rest of Europe represented a belated vindication of Britain's negotiating stance.

They were joined by others in pointing out the risks of a sizeable rebellion from Conservative MPs if Major was seen to be trying too hard to rescue a treaty that Britain had never sought. After all, the Irish or the French could yet sink it permanently.

So the message from the party managers was that the government would pause - probably until after the Lisbon summit - before re-tableting the legislation to implement the treaty. By then they hope their will be a deal with Britain's partners to rescue the accord - and a more soberly realistic mood among the government's supporters at Westminster.



Summit strain: John Major in December at Maastricht

What has happened, he said. Others, however, believe the debacle is a new opportunity to prosecute the Labour vision of a Europe. A motion tabled by prominent "soft-left" MPs last night - most of them avowedly pro-European - called for the reopening of talks on the largely monetary criteria for economic convergence, taking into account employment, growth and investment factors. That view, if adopted, would unravel the party's laboriously negotiated alliances with its continental socialist and social democratic partners.

## Labour divisions begin to surface

Mr George Robertson, Labour's staunchly pro-community European spokesman, was touting his solution to the Danish question on a much exhibited, crumpled postcard yesterday, writes Ivo Dawkins.

It read: "Danish referendum Number Two: Do you agree to change your mind on the Maastricht treaty?" Underneath were two boxes for a voter's cross - both marked "Yes".

Mr Robertson's chuckles could not disguise the fact that the crisis has provoked a reassessment of the policy quandaries facing his party. Last month, the party leadership had to watch some 60 of its MPs defy a three-line whip and oppose the second reading of the Maastricht bill.

Now, the Danish decision can only be expected to widen what Mr Robertson concedes is a "European fault line that runs through both parties." Party business managers have little control over

the rank and file. What is more there is growing momentum behind the view that Labour should press for a referendum if the government persists in pushing on with the ratification process.

Freed from the pre-electoral discipline demanded by the outgoing leadership, Labour's internal divisions over Europe are potentially quite as wide-ranging as those of its Tory opponents, just less at public view.

The parliamentary party's position is further confused by tactical considerations over how to maximise Labour's advantage in the Commons and the additional complication arising from the leadership election still rumbling on in the corridors and tearooms of Westminster.

Nonetheless, the jubilation with which the Danish vote was greeted among some backbench Labour MPs indicates that internal opposition to

the leadership's firmly pro-EC line is deeper seated than might initially have seemed the case.

And while the pure anti-community fundamentalists may count for little more than 20 or 30 of Labour's 269 MPs, many more would agree with such as Mr Nigel Spearing that: "It is possible the high tide of centralist European thought in the Labour party has now been reached."

In his first reaction to the Danish vote, Mr Neil Kinnock the party leader, described the Maastricht treaty as "defunct or possibly in hibernation", thereby dismissing calls from the backbenches for a referendum on the treaty as premature.

Yesterday, Mr Robertson - known to his anti-community opponents as "The Ambassador from Strasbourg" - was more cautious. "It would be absolutely foolish of us as an opposition party... to second guess

## GEC cuts 800 jobs at Essex factories

By Daniel Green

GEC, the defence equipment manufacturer, yesterday cut more than 800 jobs at its plants in Chelmsford, Essex. The company blamed competition and the transfer of manufacturing overseas for the job losses.

Most of the redundancies will be at the Marconi Radar and Control Systems, a defence electronics contractor, which is closing its Chelmsford factory

with the loss of 800 jobs. In a separate statement, GEC-Marconi Communications, which designs and manufactures civil and military communications, said it was shedding 225 jobs.

The cuts are the latest stages in a wide ranging restructuring of GEC's defence activities which shed about 5,000 staff last year, some 10 per cent of the workforce.

Yesterday's losses at Marconi Radar came in spite of a

series of orders won by the company recently. Many of these contracts have been with developing countries which insist on local manufacturing.

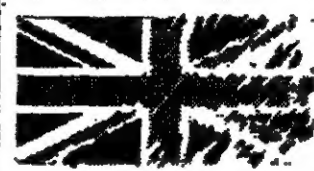
The Chelmsford factory will shut by December. After the 800 redundancies, 1,400 people will remain employed by the company.

GEC-Marconi Communications said its 225 redundancies were the result of "heavy competition, particularly overseas"

and came after a review of costs. The competition in equipment made by the company, such as satellite ground stations and microwave communications systems, comes from international telecommunications giants including Siemens of Germany and SGS-Thomson of France.

Both subsidiaries of GEC said they were trying to find alternative work for those affected.

## Britain in brief



## Qatar order for attack vessels

Qatar has ordered four high-speed attack vessels from the UK's Vespene Thornycroft shipyard in a deal estimated by naval experts to be worth about £200m.

No details were given about planned armaments, but the 56-metre warships are designed to carry surface-to-surface missiles. Qatar currently has three French patrol vessels armed with Exocet missiles.

The order, a breakthrough in a state which was previously regarded as a captive market for French defence suppliers, follows confirmation of a £150m deal with Oman for two larger missile-carrying corvettes.

The Southampton-based yard said it would need to start expanding its workforce next year in order to cope with doubling of its order book to some £700m.

## Watchdog role for Treasury

Responsibility for regulating financial markets and non-bank financial services will shift to the Treasury from the Department of Trade and Industry next week, nearly three months after the change was foreshadowed in the Conservative election manifesto.

The move will bring together under one roof responsibility for overseeing wholesale financial markets, such as those for foreign exchange and gold, and wholesale investment markets, such as those for stocks and bonds.

It will necessitate the transfer over the weekend of about 50 DTI officials. It is understood that the move was delayed by legal difficulties.

## Shortage in graduates

Britain's supply of engineering graduates is well below that of its main competitors, according to a report by the Engineering Council.

A study for the council by researchers at Liverpool University shows that between 1983 and 1988 the UK output of home students graduating in engineering subjects was only half that of Germany (11,700 against 22,200), and 15 to 20 per cent that of Japan (63,900) and the United States (87,900).

Expressed as output per million population the respective figures are Britain 206, United States 362, Germany 363, and Japan 523.

## Toy executives jailed for fraud

Two executives from Action Games and Toys, one of Britain's largest independent companies toy-makers, have been jailed for an £8m fraud aimed at keeping the firm alive.

Managing director Mr Brian George, of Henley, Oxfordshire, was sentenced to four and a half years and former head of finance Mr Roger Richardson, now living in St Cyprien, France, to three years. Both admitted fraudulent trading for three years while running the company.

Passing sentence at Oxford Crown Court, Judge Richard May said the offences were not committed by the men to line their pockets or provide an expensive way of life but were an attempt to keep the company alive.

## Businessmen accused

The businessmen who chairs Manchester University's council has accused the 14 private sector leaders who resigned last week from the council of Manchester Business School of betrayal and said they had been "led astray" about their role by Professor Tom Cannon, the school director.

Mr Chris Kenyon said a new business school executive board would be formed, with the chairman and a majority of lay members from industry and commerce. This would give "practical effect" to better partnership between the university and the private sector.

## New guidelines for societies

The Building Societies Commission, the industry regulator, has laid down new guidelines to be followed by societies which want to shed mutual status and become companies.

Though the commission says that the guidelines have been issued without any specific event in mind, the detailed nature of the guidelines has caused surprise and triggered speculation in the mortgage industry that the sale of a small building society to an outside buyer may soon be under active discussion.

## Investment set to fall

Investment spending by British manufacturers will continue to fall this year but will rise in 1993, according to the Central Statistical Office's Spring survey of manufacturers' investment intentions.

All industries except chemi-

cal and mechanical engineering are expected to spend less on investment this year than last year. Overall, manufacturers project that spending will fall by 2 per cent.

The biggest falls are expected in the metals and food, drink and tobacco industries. Spending on new building work is expected to fall slightly but to rise slightly for vehicles, plant and machinery, the CSO said.

## NRA praises UK beaches

The National Rivers Authority claimed there was an "underlying trend of real and sustained improvement" in the quality of bathing waters, despite a fall in the number of beaches reaching EC standards in 1991.

The National Rivers Authority's second annual report on bathing water quality found that 312 out of 414 beaches, or 75.4 per cent, complied with the standards of the European Community's Bathing Water Directive.

This was down from 78.1 per cent in 1990 - the first drop in compliance rates for five years. The report blames some of the decline on cooler, wetter weather in 1991, which resulted in less bacteria dying off than usual, and caused an increase in the operation of stormwater overflows which are not subject to bacteria treatment processes.

## Tonnage rises at shipyards

For the first time in a decade, British shipyards have more than 1m gross tonnes of vessels either under construction or on order, according to Lloyd's register.

Lucrative and job-saving orders recently won by Belfast's Harland and Wolff and Clyde's Kvaerner Govan yards helped take the total UK order book for the first quarter of 1992 to 1,035,512 gross tonnes, it reported.

The last time the UK topped the 1m gross tonnes mark was in 1982. After that, quarterly figures fell sharply until the low point in the second quarter of 1987, when only 214,000 gross tonnes was recorded.

## Academic link for industry

The first stage in the establishment of a network of bridges between academic science and industry has been launched by the government.

One hundred of Britain's research students will study for higher degrees through five industrial partnerships. The partnerships are a pilot for Faraday Centres, promised by ministers before April's general election and recommended in the final report of the Prince of Wales' Working Group on Innovation, published last month.

## MPs claim DTI knew of faults in Maxwell regulation

By Alison Smith

MPs campaigning on behalf of pensioners fighting to recover funds raided by Mr Robert Maxwell, the late publisher, are claiming that the Department of Trade and Industry knew that the Investment Management Regulatory Organisation (Imro) felt unable to carry out its duties adequately over the collapse of the Maxwell empire but did not take full account of those concerns.

The MPs are preparing to submit the claims to Mr William Reid, the parliamentary ombudsman. Mr Reid, however, said that he was not able

to entertain complaints against the Securities and Investments Board or Imro.

He said he could consider any evidence that the DTI had ignored representations about the adequacy of regulations or evidence that the licensing by the DTI of London Bishopsgate Investment had led to losses being suffered by the Maxwell pensioners.

His clarification was welcomed by MPs Mr Richard Page and Mr Frank Field, the co-chairmen of the all-party group campaigning on behalf of the Maxwell pensioners, as a helpful move forward.

Mr Page said that members

of the campaign group would be drafting submissions that addressed the specific points raised.

The Commons will next week debate the need to implement part of the Social Security Act 1990 which provides for pension schemes in companies where the liabilities exceed the assets to be regarded as creditors of the parent company.

The pensioners campaign group has written to the 386 MPs who have constituents caught up in the Maxwell affair urging them to support early implementation of the section.

## Receivers identify estate assets

THE receiver to the late Mr Robert Maxwell's personal estate has identified assets totalling millions of pounds which might be claimed by creditors to the business empire, it emerged yesterday, writes Andrew Jack.

But most of the assets are subject to claims by other parties. Mr Peter Phillips, a partner in Buchler Phillips, the

accountancy firm, who is the court-appointed receiver to Mr Maxwell's estate, is to appear before Mr Justice Friele next week to discuss his attempts to trace assets held by the family.

"We have traced an amount not in the tens of millions of pounds," he said yesterday. Assets found include money in a number of bank accounts and several small sharehold-

ings. Mr Maxwell held more than a 15 per cent stake in the Bank of Sofia in Bulgaria. He also had shares in both F & O and Ansbach, and holdings in US corporations.

Mr Phillips, however, said: "He was not a man who really needed to have ordinary assets. He was a man who appeared to have been accommodated by his corporate empire."



On top: Roy Watts, chairman of Thames, the UK's biggest water company yesterday welcomed figures from Ofwat, the industry's economic regulator, showing his company disconnected fewer customers in 1991-92 than any of the other privatised suppliers. However, Thames has recently launched a campaign against persistent non-payers and disconnections are expected to rise sharply.

## Truck company falls victim to market collapse

By John Griffiths

AWD, the UK commercial vehicle company created out of General Motors' loss-making Bedford trucks business, was placed in administrative receivership last night.

The company has been hit both by the collapse of the UK truck market and the failure to materialise of hoped-for overseas orders.

Nevertheless, it was intended to sell AWD as a going concern for a sum involving "tens of millions", Mr Tony Thompson, a joint administrative receiver from accountants KPMG Peat Marwick, said last night.

Many of the 850 remaining employees at the 97-acre plant at Dunstable, Bedfordshire have been laid off for some

months. The company produced only 22 trucks in the first quarter of this year, compared with 546 in the same period of 1991 and annual production peaks of 6,000 units before the UK truck market started collapsing in 1989.

At its peak, AWD was employing more than 1,300 and its main backer Mr David JB Brown forecast it would employ more than 2,000 people and build 10,000 trucks, both civilian and military, annually.

Mr Brown bought the business from GM near the end of 1987 for just over £20m. Under GM's ownership, Bedford had been losing £1m a week in a plant which had the capacity to produce 60,000 trucks a year and which, up to the start of the 1980s, had employed 6,000

people.

Mr Thompson said that discussions had already been going on with "a number" of potential buyers for the AWD business. Despite the severely depressed state of the European truck industry, the receivers indicate a belief that AWD's acknowledged high level of engineering expertise could prove attractive for a number of potential buyers.

He refused to give an indication of the size of AWD's debts. His principal creditors are its bank and a number of as-yet unnamed suppliers.

Only three months ago, the work force had accepted a 25 per cent pay cut and 10 days' enforced leave without pay as sales continued to sink. AWD sold 608 trucks in the UK mar-

ket last year, down from 1,434 in 1989.

The biggest most recent blow has been lack of progress on an initial agreement for AWD-Bedford to supply up to 2,000 trucks a year to Iran in a deal claimed by the company to be worth more than \$70m.

As part of the project a truck assembly plant was to be established in southern Iran.

In retrospect, however, perhaps the most decisive blow to AWD fell almost exactly three years ago, when it failed to secure a £155m Ministry of Defence order for 5,000 four-tonne trucks for the UK armed forces.

Bedford trucks had been the transport mainstay of the British military since the Second World War and AWD, mistak-

only, believed that the Bedford badge adorning its own TM 4-4 contender almost automatically made it the front runner. Instead, the contract went to Leyland DAF.

● New car sales rose weakly throughout May by 1.4 per cent, the second monthly year-on-year rise after 29 successive months of falling demand.

The hoped-for strong resurgence in new vehicle demand failed to materialise however, with registrations of new commercial vehicles falling again by 7.7 per cent from the same month a year ago, according to figures released yesterday by the Society of Motor Manufacturers and Traders. New commercial vehicle demand has been falling year-on-year for 32 months in succession.



# A price on its high-rise head

By Vanessa Houlder

The issue, said a banker, "is what is Canary Wharf worth? We have no real idea."

It was a frank admission for someone whose decisions had helped create - and then bring down - the £1.8m development in the London Docklands which last month was put into administration. The complex number-crunching that led to the appointment of administrators had produced just one conclusion: it was not worth throwing good money after bad.

"We made some assumptions and concluded that we couldn't make Canary Wharf viable," the banker said. The main problem in arriving at a value on the project was the uncertainty surrounding the recovery in the London property market. "None of us knew where the market was going," he said.

For all the uncertainties, the question of what Canary Wharf is worth cannot be ducked by the banks, administrators and potential investors considering its future. While the range of estimates varies hugely, one thing is clear: Canary Wharf is worth very little to an investor in its present state.

"The economics of the project require a hugely charitable act from the banks to make the scheme stick up for any incoming investor," commented County NatWest, a broker.

The project can only support a modest amount of debt. On the optimistic assumption that Canary Wharf is fully let at an average rent

of £15 per sq ft (an additional £300m would need to be spent first to complete the project), the development would support debt of just £500m, assuming an interest rate of 10 per cent. As matters stand, with only 11 per cent of the 4.6m sq ft project occupied, albeit at a rent estimated at about £25 per sq ft, Canary Wharf can only service £94m of debt.

The picture improves if the project's enterprise zone tax breaks, which could total £400m, can be used. Even then, the shortfall in Canary Wharf's ability to service its debt suggests that the banks' write-downs could exceed £700m.

The scale of the immediate provisions might be reduced if an incoming investor pumped fresh funds into the project and improved its long-term prospects by completing the current phase of construction.

Any new backer would receive no income from its investment; the investor would have to take a long-term view. A backer would have to gamble on what Canary Wharf would be worth when firmly established in, say, 15 years. Given the riskiness of the investment and the lack of an income in the short term, any potential investor would demand a high rate of return -

probably comparable to that on venture capital investments.

Mr Richard Mully, a director of County NatWest, estimates that assuming the project is fully let on rents similar to current levels of £15 per sq ft, the maximum an investor should be prepared to pay for Canary Wharf is between £150m and £200m.

Given the scale of the potential write-downs and the limited sums that are likely to be provided by an outside investor, it might be in some banks' interests to swap debt for equity.

"The banks' long-standing aversion to converting debt to equity - which damages their balance sheets and does not offer the tax advantages of provisions - may be softening, according to Mr Mully. "There is no short-term solution."

he says. "Selling out today involves huge write-offs [and getting back nothing at all]. If banks can recoup something it would be worth persisting."

The losses incurred by Canary Wharf's developers, Olympia & York, raise the question of why the project was thought viable in the first place: how did O&Y persuade its bankers to fund the scheme?

The answer is illustrated by a slide used by O&Y in a presentation to bankers in 1990. Entitled 1990 comparable development economics, the slide shows that the potential profit of building at Canary Wharf was £73 per 'buildable' foot, compared with a £232 profit in the West End and a £91 loss in the City.

The developers based their argument on the fact that land prices at Canary Wharf were cheaper than

elsewhere in London, leading to total construction costs of £355 per sq ft, compared with £205 in the City and £685 in the West End. Construction costs, they added, would fall for subsequent phases of the development as the burden of the infrastructure costs were spread more widely.

Rents per square foot were expected to be £30 at Canary Wharf compared with £50 in the City and £55 in the West End. Yields at Canary Wharf would be comparable with the City, after taking account of the enterprise zone's tax allowances. That gives a capital value of £438 per sq ft for Canary Wharf and thus a potential profit of £73 per sq ft.

As late as February O&Y was optimistic that the numbers would add up. Indeed, in February it launched a £215m enterprise zone

trust based on a 600,000 sq ft building at 10 Cabot Square. The building was valued at £215m, which covered the construction costs.

But the Cabot Square valuation was made on a special assumption - namely, that the rent on the entire building at £25.61 per sq ft, had a cast-iron guarantee from the developer. That, together with the exploitation of the tax breaks, allowed the valuers to use a yield close to 7 per cent.

The reason why O&Y's original assumptions and the Cabot Square valuation are now irrelevant is that they vastly overestimated the project's rental income and its ability to use the tax breaks. O&Y thought that it would be able to sustain rents of £30 per sq ft - and even push them up towards levels in the City and West End. Now, the project would do well to achieve rents of half that level.

Given the uncertain state of the Dockland's property market, even that assumption may overstate Canary Wharf's value. Unless a building has a prospect of being let, it is a liability, not an asset.

## Croydon shows the way

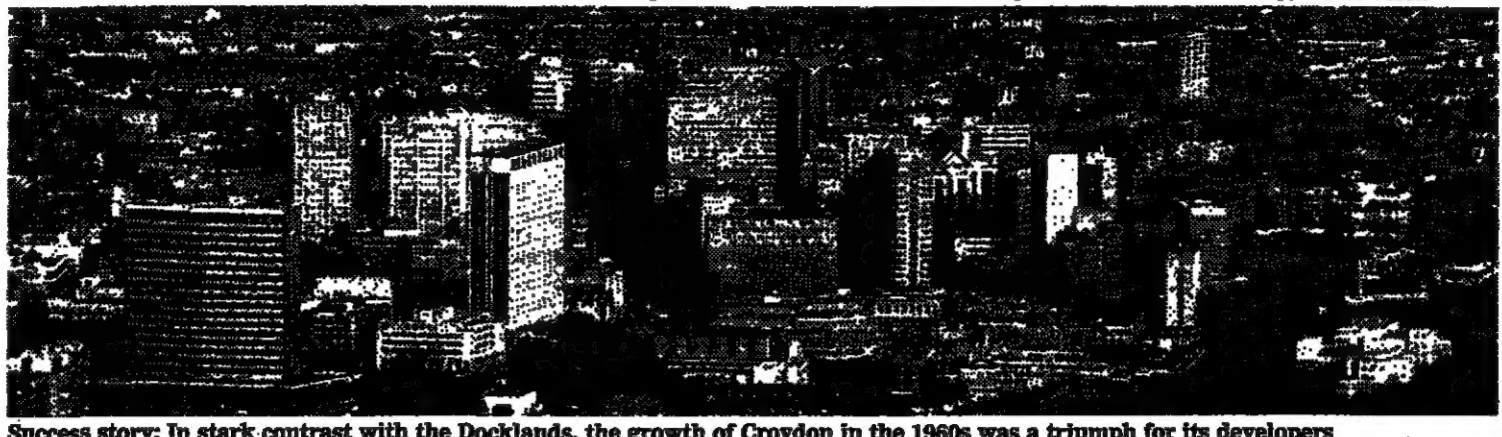
If one comment about Canary Wharf particularly wounded Olympia & York, it was likening the Docklands to Croydon. The irony is that the comparison is, if anything, unfair to Croydon.

Croydon is the sixth largest office centre in the UK. Although it has the same amount of office space as the Docklands - 10m sq ft - the vacancy rate in Croydon is just 8 per cent, compared with about 50 per cent in the Docklands. The Dockland's transport system is still embryonic, while Croydon has 20 railway stations and two motorways on its doorstep.

In stark contrast with the Docklands, the growth of Croydon in the 1960s was a triumph for its developers and Croydon Corporation, which fostered it.

But not everything is going Croydon's way. Office rents have fallen by up to 30 per cent in the past 18 months; and office vacancies are likely to increase as leases expire and company relocations slow down.

Perhaps the most damaging aspect of Croydon is the appearance of its serviced ranks of tired 1960s office blocks. But if Croydon's 1960s architecture is now heartily despised, what chance do the bland facades of the Docklands have of standing the test of time?



Success story: In stark contrast with the Docklands, the growth of Croydon in the 1960s was a triumph for its developers

RENTAL GROWTH (%)				
	Retail	Office	Industrial	All Properties
Year to April 92	-1.5	-12.6	-3.1	-6.2
Quarter to April 92	-0.6	-4.8	-1.8	-2.5
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Source: Investment Property Database

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## MANAGEMENT

Margaret Hodge used to be pilloried as a member of the loony left. But Lucy Kellaway found Islington's civic leader now cast in a very different mould

## Counsel of reason



MY OFFICE

The paint is old, the heating antediluvian, the fitted carpet too big. The furniture is plain, shabbier than that for sale in the neighbourhood's second-hand furniture shops. The view is of dustcarts, a school playground and a council estate.

In the middle of this large institutional room is Margaret Hodge, incongruously smart in a crimson suit and matching lipstick. The leader of Islington Council, once a symbol of London's loony left, is happy in these unimpressive surroundings. Hodge is now Ms Reasonable, a self-acclaimed pioneer in public sector management. She runs a budget of £300m a year and evidently does not think tarting up her office would be a good use of the funds. "I've never felt obsessive about my place of work, so long as it runs efficiently," she says.

The great turnaround at the council is apparent from the outside. The red flag that used to fly from the roof has gone. So too has the bust of Lenin. The banner that once screamed out the ever-mounting total of Islington's unemployed has been replaced by a more modest, modern digital display.

Inside the grand old town hall are signs of Islington's equal opportunity employment policies which used to be the subject of ridicule but are now held up as a shining example.

The man at the reception desk is

slightly handicapped; his black female colleague says that someone from "the Leaders" office will be down presently.

Hodge's own administrative staff consists of three women, working in a cheerful, low-tech chaos of piles of paper and peeling posters. Their task is to organise the Leader and to make sure she sticks to her over-filled schedule.

Hodge gets to work at 8.30 on mornings that it is not her turn to do the "school run". Her day is an obstacle course of work and family responsibilities: she has six to eight meetings stacked up between 8.30 and 3 - "I never have lunch" - and then dashes home to welcome the children back from school, only to return to the town hall for more meetings in the evening. She is proud that these never start before 7.30pm, to make them more convenient for Islington Council's growing numbers of working mothers.

"Mad, isn't it?", she says of her timetable, while seeming to relish the amount she gets done. "If I have an evening at home, I sit down at 10pm and write until after 1am. But

we do have a social life. That is very important. I also garden and play with the kids."

How does she manage it? "Women are much more effective at managing their time than men," is her answer. Her PA's explanation is slightly different: "She's always wired, she drinks strong black coffee all day".

In the office there are no signs of her four children: indeed there are no clues as to the sex, class or position of the person who occupies the room.

She says she has deliberately confined her personal clutter to her bedroom, rather than to her office. "The way you survive as a woman with kids is to compartmentalise your life. There is nothing of me here. I used to have a rubber model of Margaret Thatcher that we punched occasionally, but that's gone now."

Her desk is small and shabby and replaces the big one that occupied the Leader's office when she took over 10 years ago. On it are piles of papers and there are usually plenty

more in the Sainsbury's plastic bags she carries about with her. "I'm not into status," she keeps saying.

She has, however, insisted on a few plants, a sad collection in a white plastic tub. Some of the pictures say something about her radical principles: two African pictures that were gifts from "my black groups" and a series of posters depicting the plight of the homeless and advertising an exhibition of "A history of Black Pressure in London".

However, Hodge is careful not to be seen as being over the top. In the days when the tabloid press ran apocryphal stories about Islington banning black rubbish bins liners, Hodge was frequently being taken apart. "I have to make sure I seem reasonable," she says. "What I look like is important" - she points at her PA in jeans and T-shirt - "I would never come to work dressed like that".

Despite the old fashioned look of her surroundings - the only recent innovation is the crate of Perrier - Hodge speaks like the most up-to-date management consultant.



Margaret Hodge: 'I used to have a rubber model of Margaret Thatcher that we punched occasionally'

She talks of flat structures, culture change, of quality, of participative structures, empowerment, and of passing accountability down the organisation. To prove it, she does not stand on personal ceremony.

She lets herself be interrupted by her PA and doesn't bat an eyelid as

numerous colleagues burst into her office without knocking. However, this clearly does not mean a free-for-all. At the constant round of informal meetings held around the low Formica table - which could be with anyone from local tenants to ministers - Hodge makes sure

she is in full control. "We decide who should come and what the agenda should be."

Where is it all leading? Doesn't she want to go into politics proper? "I run a budget of £300m - if that isn't real politics, I don't know what is."

## Confrontation up against collaboration

David Goodhart finds sharply differing attitudes to works councils in the UK and in Germany



SOCIAL EUROPE

General Workers Union. The abbreviated biographies of the top trade union officials at, respectively, Ford Germany and Ford UK demonstrate the differences between the industrial relations and worker representation traditions of the two countries.

The German system of co-determination, with workers on the board at company level and powerful works councils at plant level, integrates the workforce, giving it power and responsibility.

To some British trade unionists, this is no more than "company unionism", albeit of a powerful kind. They claim their system of external union officials and plant-

based shop stewards is more flexible and representative.

The differences between these two traditions are currently holding up agreement on forming a European works council at Ford, aimed at giving a collective voice to workers from all six European countries where Ford has a presence.

The Germans want Euro-works council representatives to be elected only from Ford employees. The British want some full-time union officials to sit on the 30-person council. A compromise will probably be worked out, and could become a model for other Euro-works councils. How do the co-determining systems work at Ford?

In the German plants, the employee-only, legally constituted, works councils, elected from the whole workforce, have veto power

over everything from working time to bonuses and redundancies.

Kuckelkorn is head of the works council at the Cologne factory, which employs about half of Ford Germany's 36,000 employees, and he also heads the less important Germany-wide works council.

In his plant - "the size of a small town," he says - he is effectively a co-manager alongside the plant manager. He cannot call a strike - that can only be done by IG Metall, the national union, when industry-wide negotiations break down. Unresolved disputes at plant level go to labour courts, but this rarely happens.

Does he have too much power? "I've never seen a works council destroy a German company but I've seen managements do it," he says.

Neither Kuckelkorn nor Ford are directly involved in the industry

pay negotiations. But Kuckelkorn sits on the board of Ford Germany and has access to information affecting the company's future.

That encourages a pro-active attitude to management. "We put forward a plan for a slimmer management structure and pushed the adoption of a plan cutting innovation time. Not all our ideas are thought through but we do affect management thinking," he says.

Adams and many British union officials do not approve of such role confusion. "Mr Kuckelkorn has a conflict of loyalties. Our priority is to the members and not the company, although the interests usually coincide," says Adams.

At Ford UK, the most senior union representatives, such as Adams, 57, are full-time union officials not employed by the company. Adams leads the union side at

Ford's annual pay negotiations but is also involved in any large issue, like redundancies.

He claims to get as much information about the company from Ford UK as Kuckelkorn, 49, gets as deputy chairman of Ford Germany. "But I can use it for bargaining, whereas he is often bound by confidentiality," says Adams.

The Ford National Joint Negotiating Committee (NJNC) is the pinnacle of the UK system - combining elements of the all-German works council and the IG Metall negotiating committee.

On the UK's 50-man NJNC sit the country's top shop stewards and the motor industry's most senior full-time union officials.

Inside each of Ford UK's 20 plants is a joint works committee with half a dozen shop stewards and a similar number of manage-

ment representatives. This is similar to the German works council, except that the latter has legally defined powers and does not include management in its routine deliberations. What the shop steward can demand in the UK depends on how militant shop-floor workers are ready to be. The strike weapon, banned at plant level in Germany, remains crucial in the UK - even if rarely used.

At Cologne, the works council, which meets at least once a week, has 41 members of whom 35 are full-time. Beneath them are 800 informal representatives for individual areas of the plant.

At Dagenham in Essex, which has 11,000 employees, compared with Cologne's 17,000, there are 250 shop stewards elected by union members. Only three - the senior shop steward for each sub-plant -

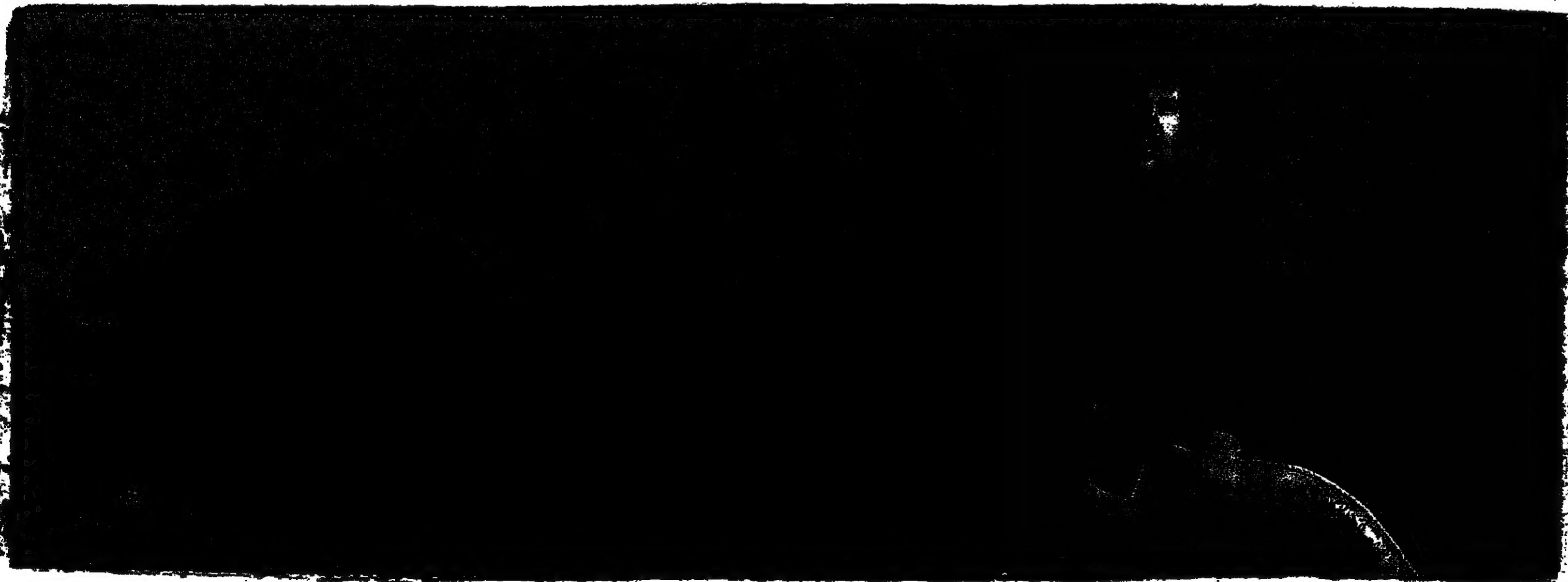
officially work full-time on union matters. Adams admires the power of IG Metall but believes UK union officials are more accountable because they negotiate on pay at plant level.

The works councils in Germany are trying to become involved in pay, to the irritation of IG Metall officials. But Kuckelkorn's influence on non-pay matters is greater than the most powerful shop steward at Dagenham or Halewood. He believes that power is part of the explanation for higher productivity at Ford's German plants.

Eventually, the German model of the works council will probably prevail - because of its wider support in Europe. But a Ford Euro-works council, even if it is recognised by the company, is no guarantee of harmony between Ford's European workforces.

Co-ordination between countries to stop strikes is being undermined by the transfer of work. When jobs are transferred - 350 research jobs recently moved from moving from the UK to Germany - common interest soon disintegrates.

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## TECHNOLOGY

## Fashion hits the factory floor

Andrew Baxter explains how colour screens have brought manufacturing to life

**R**ecession-weary machine tool salesmen can be forgiven for wearing grey faces but at least the sophisticated computer equipment that controls their machines is beginning to blossom out in colour.

Long accustomed to working with black-and-white screens, users of computer numerically control (CNC) machine tools are starting to resemble the telly-watchers of the late 1970s.

In an industry where jargon comes by the bucketful – and even CNC suppliers have trouble keeping up with each other's impressively named new product features – customers can at least ask suppliers one simple question: "Is it in colour?"

The answer is often yes, but the only problem is cost: colour costs hundreds of pounds more than black-and-white. Even in a total machine tool package costing a five-figure sum, the widespread use of colour has been hampered by the extra cost – and during a recession the total package cost becomes particularly critical.

It is a similar story with thin film transistor flat screen TV technology – big savings in space compared with a traditional cathode ray tube screen, but several times dearer.

Colour has been available for some years on CNC, and might seem like a luxury on something so utilitarian. Compared with a Cathode screen, after all, a lot of the information on a CNC screen is by definition numerical.

The majority of CNCs sold by GE

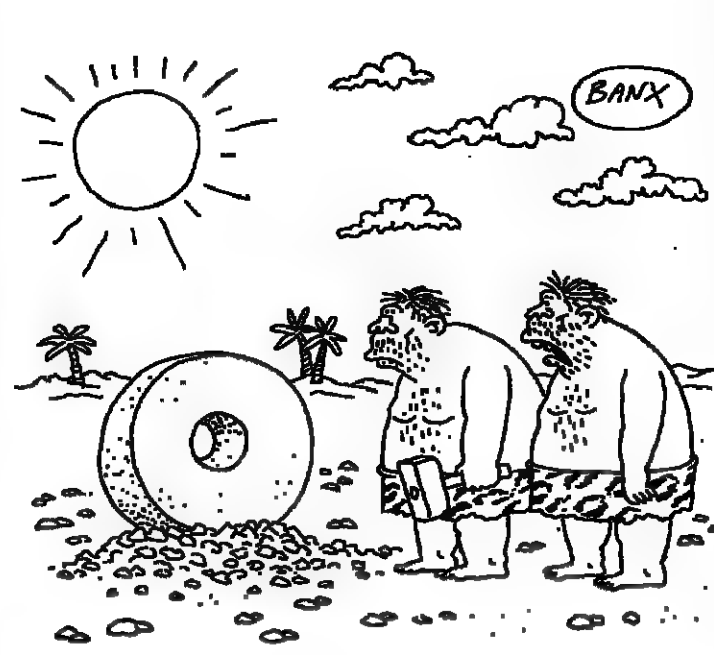
Fanuc Automation, the world's leading producer, is still mono, says David Avrell, UK managing director. And that will remain the case, he says, until the cost comes down. The benefits of a palette of 655 colours, as is available on some CNC equipment, look somewhat dubious in comparison with some of the far-reaching technological developments in CNC over the past decade – the trend towards open systems and a striking development in specialist software that allows machine tool companies and users to customise their bought-in CNC equipment and differentiate their machine tools from the competition.

But colour does have a role that goes a long way beyond aesthetics. As has happened elsewhere in the electronics industry, and particularly in personal computers, CNC suppliers have spent heavily to make their equipment easier to use over the past decade, and colour can help the process.

Massimo Ziliani, head of US CNC producer Allen-Bradley's motion control division, says: "I see colour becoming something pretty natural on CNC equipment." Using different colour on a graphic of a complex part shape can help the operator specify the right dimension for a particular profile.

As has been found in Cadcam, colours and shading make a 3D object more readily understandable as a version of the real thing.

Even so, Ziliani admits it is hard to explain customers' desire for colour. In some factory automation applications, Allen-Bradley has



"COULDN'T YOU DESIGN IT IN PINK?"

been pushed by users to develop a high-definition colour screen for a robot's operator panel, which is used only for programming and is rarely visited when the robot is working.

"I think the look or appearance of a nice screen with nice graphics is something that is an image of high-

tech," he says. "So there is a marketing consideration here."

If suppliers are asked to use colour screens in these applications, the market in CNC on machine tools ought to have greater potential, especially in small-batch production when the machine tool is being reprogrammed frequently.

Flat-screen technology, meanwhile, lends itself to use in the machine tool industry for a number of reasons. The quality of the display is one attraction, says Avrell, and light tends to enhance the screen.

The saving of space could also be important in small machine tools, says Ziliani, who otherwise remains a firm adherent of CRTs. "I am still convinced that a high-resolution CRT is cheaper and more readable, and hence more effective," he says.

Most CNC suppliers would agree with Terry Margets, sales and marketing manager at Cranfield Precision Systems (CPS), part of Powys-based Control Techniques, that "flat screen has got to come in, but when it's a sensible price."

CPS, which over the past three years has been developing a new mass market system called Flexible Numerical Control, is sampling the flat screen market regularly, says Margets.

At present, he says, a 10-inch colour flat screen produced in volume would cost £1,750 against £400 for a colour CRT. In black and white, flat screens cost £300, against £125 for a CRT, so they are becoming more viable commercially.

The CNC industry will, as usual, strive to give the machine tool builders what they want and can afford. But CNC suppliers cannot do much about the price of a flat screen. Reductions, Avrell believes, will depend on flat screens penetrating markets outside machine tools, such as in buses and aircraft where space is at a premium.

## The number crunchers crack

● Decreasing staff numbers. The survey showed that more than half the companies canvassed have cut the number of staff they employ while some central IT functions have disappeared completely.

● Declining influence. A trend in the past two years has been "outsourcing", passing over all or part of the organisation's data processing requirements to an outside computing services company.

Among the reasons for the decline are a reluctance on the part of large organisations to spend more on IT before reaping the benefit of heavy investment over the past few years, coupled with disappointment over attempts to secure a competitive

edge through technology.

Pagoda says that in order to ward off the threat of their departments being disbanded or devolved, IT managers are trying to establish a new partnership with their "customers" – business managers who request and make use of data supplied by the DP centre. DP managers have been forced to come down from the remote and isolated computing ivory tower to try to help the business gain real benefits from IT.

The new partnership should ideally have three components:

● IT management should be increasingly concerned with overseeing the orderly devolution of computing technology through the business, giving leadership and guidance.

● There may still be some data services which can be provided most economically by the data centre and IT management should ensure the efficiency of their operation.

The role of the IT director will change significantly, Pagoda says. There are several possibilities; the IT director could become the computer strategist, responsible for securing value for money in IT investments but without service management responsibilities.

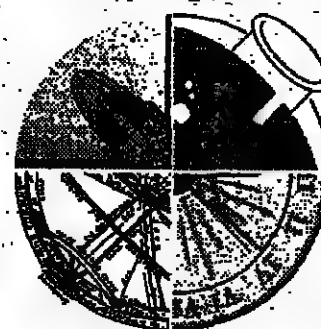
IT directors could become service managers providing commercial cost-effective IT services to the business without responsibility for identifying IT solutions to business problems. Finally, the IT director's role could expand into a board-level position encompassing office services and change management as well as IT services.

Whichever path a particular organisation follows, however, the numbers of IT staff are likely to decline and the skills they will need will change profoundly. Some argue that only 30 per cent of today's staff numbers will be needed in 2000.

Alan Cade

\*Building Partnerships with the Business, Pagoda Associates, 55 Neal Street, London WC2 2AD plus VAT.

## Worth Watching - Paul Taylor



## Plastics believe in reincarnation

Plastics are a prime source of environmental pollution and the volume of waste and scrapped plastics is increasing every year. Now Mazda Motor, the Japanese car manufacturer, has announced two new developments which should help efforts to recycle and re-use the material.

One is a new decomposing catalyst capable of recovering oils from all types of plastics including chlorinated ones which have previously been difficult to decompose.

The other is said to be the world's first plastic composite which can be reused more than five times. The new material combines a liquid crystal polymer for reinforcement with easy-to-use thermoplastic. It can be used as a structural material, for example in car frames. Mazda Japan, 83 386 1080.

## Cable television takes on CDs

US cable networks typically provide viewers with the choice of around 50 TV channels, ranging from re-transmission of local broadcast stations to specialist premium pay-TV channels, writes Valerie White.

Now subscribers are being offered an additional range of 80 sound channels. But unlike the TV channels, where the source and the transmission are analogue, these sound channels are fully digital, bringing CD-quality sound directly into the home.

To receive them a tuner, costing \$199 (£110), is needed which plugs into any cable TV socket. The output from the tuner is then connected to the stereo system, or to headphones. A fully digital output is also available for connection to a Dat (Digital Audio

Type) recorder. Each sound channel carries continuous music from about 180 CDs, catering for most tastes and giving around six days of play without repetition. The service is being provided by Los Angeles-based Digital Music Express initially on two cable channels in Atlanta, Georgia and costs \$6.95 a month. Digital Music Express: US, 310 444 1744.

## Shot in arm for typhoid vaccine

Typhoid fever is a threat in many countries with inadequate sewage treatment facilities and poses a risk to the indigenous population and to visitors.

Typhoid vaccines have been available for many years, but while these vaccines have proved effective they often cause adverse reactions. Patients also require several doses of the vaccine.

Now Pasteur Merieux, the world's largest vaccine manufacturer, has developed Typhim VI, the world's first single shot vaccine against typhoid fever. Unlike earlier vaccines which contain the whole bacterial cell, Typhim VI uses only the part of the bacteria which causes the disease.

The new vaccine is effective for more than 95 per cent of recipients, provides protection for three years, can be safely given at the same time as other vaccines and guards far fewer unpleasant side-effects. Merieux France, 33 7857 8233; UK, 0629 483040.

## Green tyres ride over bicycle pump

Goodbye bicycle pump – it sounds like a cyclist's dream. A British company has developed an innovative bike tyre which is impossible to puncture and is environmentally friendly.

The Green Tyre, which is available in any colour and costs from £12.99 to £19.99, is a non-rubber tyre which will never go flat, is up to 30 per cent lighter than existing tyres and lasts substantially longer.

Made from micro-cellular polyurethane, all chemicals used in the Green Tyre are non-carcinogenic and non-toxic. When they wear out they can even be re-cycled. Green Tyre: UK, 0645 255322.

## PEOPLE

## Trouble Spot Beckett

Mention the name Michael Beckett and trouble is not normally far away. Hence a few eyebrows may be raised by his appointment as deputy chairman of Watts, Blake, Bearne, the world's biggest ball clay producer.

The 55-year-old ex-managing director of Consolidated Gold Fields seems to enjoy getting involved with troubled companies and while he hesitates to call himself a company doctor he confesses to being a "very independent" non-executive director.

When the institutions became worried last year about Jock MacKenzie's stewardship of Tace, the environmental equipment manufacturer, it was Beckett they turned to for help. He took over the chairmanship and sold the company to Cambridge Electronic Industries for a handsome profit. A few months later he had to take over the helm of Ultramar after the previous well-paid chairman was ousted. Shortly afterwards, Lasmo acquired the company.

Beckett is also trying to

revive the fortunes of Monarch Resources, a Venezuelan gold mining company, which launched a £10m rights issue earlier this week. Beckett was brought in as chairman just over a year ago following a major boardroom restructuring.

However, he stresses that his deputy chairmanship of Watts, Blake, Bearne is a far less controversial appointment and is more akin to his non-executive directorships of Banks Hovis McDougall and EPB Industries.

Profits at what is in some respects still a family-run business have fallen for two years running, and it was the big continental European shareholders – with around 45 per cent of the equity – who approached Beckett for this position.

All the same, WBB is not another Tace or Ultramar and Beckett's appointment further rounds out the board's expertise. Ingram Lenton, a former chairman of Bowater Industries, took over the chairmanship of the company just over a year ago.

## Leaving the tracks early

Gordon Pettitt, managing director of BRITISH RAIL's Regional Railways sector, surprised the transport community yesterday by announcing that he was to retire in August after just two years in the job.

The imminent dematerialisation of the railways appears to be the main motivation behind his decision. As he explained yesterday, at 53 he is only two years away from BR's compulsory retirement age. If he had stayed on in the job, his departure would have come in the middle of what threatens to be the biggest reorganisation in BR's history.

"I felt it would be better for the business to be led by someone who can take Regional Railways through all the developments that will come in the next few years," he said. "It is

important for the staff to have continuity."

Pettitt, a railwayman all his working life, will be succeeded by Jim Cornell, whose present title is director, technical standards. Aged 52, Mr Cornell joined BR in 1989 as a student civil engineer and worked his way up through the engineering side of the railway until he became deputy general manager of ScotRail in 1994, and then general manager in 1996.

He was appointed BR's director of civil engineering in 1988, where he undertook a review of infrastructure costs before he was made director, technical standards, in BR's recent reorganisation.

Cornell, in turn, will be succeeded by Ken Burnage, director of signals & telecommunications engineering.

## Non-executive directors



■ George Paul, chief executive of Harrison & Crosfield, succeeds Sir James Clemenston as vice chairman of NORWICH UNION. Peter Holmes has retired from the board.

■ Trevor Osborne has retired from REDLAND.

■ William Bell and Leslie Melville have resigned from COSTAIN.

■ Thomas Whitting has resigned from PROWING.

■ Sir David Rowe-Bam (above left) as chairman of BREWIN DOLPHIN HOLDINGS.

■ Toby Horton has resigned from ABACA.

■ Sir Derek Birkin, chairman of RTZ, at CARLTON COMMUNICATIONS.

■ William Penny at BOWTHORPE following its acquisition of Penny & Giles.

■ James Nelson, md of Foreign & Colonial Ventures, at VARDON.

■ Lord Lane of Hensall at ATTWOODS.

■ Ian Tegner at T.I.P. EUROPE.

■ David Webster, deputy chairman of Argyl Group, at REED INTERNATIONAL.

■ Elizabeth Filken (above right) to BRITANNIA building society.

■ Sir Raymond Lygo, a former chief executive of British Aerospace, has been appointed chairman of TNT EXPRESS(UK), Britain's leading express parcels carrier. He succeeds Peter Allsobrook who died last year.

■ Sir Raymond, a 68-year-old retired admiral, has been associated with the Australian-headquartered transport group for many years. His former employer, BAE, supplied aircraft to TNT Express Worldwide and to Ansett Airlines, a TNT associate. He retired from BAE in 1989 and is currently chairman of Rutland Trust and continues to work as a business consultant.

## Bodies Politic

■ David Haddican, md of RTZ Metal Stockholders, and Brian McCance, md of Brian McCance (Steel), are president and vice-president, respectively, of the NATIONAL ASSOCIATION OF STEEL STOCKHOLDERS.

■ David Hurst, previously senior education and training officer with the Electrical Contractors' Association, has been appointed the first chief executive of the ELECTRICAL INSTALLATION

ENGINEERING INDUSTRY TRAINING ORGANISATION.

■ Dick Gammaraian, md of Mase Westpac, is chairman of the LONDON BULLION MARKET ASSOCIATION.

■ Cecil Marshall is president of the BRITISH HARDWARE FEDERATION.

## Tokyo to London for Paribas



Denis Antoine, French investment bank Paribas' top man in Tokyo, has arrived in London to head up the UK operation in succession to Francois de Rancourt.

de Rancourt, 53, had been in London not quite two years before he was called back to Paris as Controleur General, effectively in charge of credit policy for the whole group.

The long-term debt of Paribas was recently downgraded by Standard & Poor's, the US rating agency, largely due to a sharp increase in loan-loss provisions. So de Rancourt's new role is a particularly crucial

one for the bank at this point. Antoine's relocation to London adds another important dimension to a firmly international career. He will be running an operation of some 500 people on the capital markets side, and a slimmed down 150 at the branch – compared with 150 in total in Tokyo.

Aged 46, Antoine had been in Japan since 1983, and has a Japanese wife.

In London, Paribas has fared better than many international banks, managing to counterbalance exposure to the dismal recession-bound UK corporate market with notable successes in equity sales and research and in derivatives products, including swaps.

One priority for Antoine will be to continue integrating banking and capital market services. Paribas is aiming to set up a more cohesive marketing front worldwide – or, as some analysts would say, looking to break down rival fiefdoms.

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All responses to this invitation must be received by MULTIEXPERT not later than June 30, 1992.

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## Insolvency statement is admissible

REGINA v KANSAL  
Court of Appeal  
(Criminal Division):  
Lord Justice Russell,  
Mr Justice French and  
Mrs Justice Ebsworth:  
May 12 1992

SELF-INCRIMINATING statements made by a bankrupt at his insolvency examination can be used in evidence against him in any other proceedings, including criminal proceedings for obtaining property by deception.

The Court of Appeal (Criminal Division) so held when dismissing an appeal by Mr Yash Pal Kansal against convictions under the Theft Act 1968 and the Insolvency Act 1986.

LORD JUSTICE RUSSELL said that in February 1992 Mr Kansal was convicted of obtaining property by deception contrary to section 15(1) of the Theft Act 1968, in that he dishonestly obtained cheques of £150,000 and £116,250 from the Halifax Building Society by falsely representing that his annual income was £30,000, that he had never been bankrupt, and that he had no loans or credit card debts.

He was also convicted of the offence of a bankrupt removing property contrary to section 354(2) of the Insolvency Act 1986, in that he removed £104,356 held jointly by himself and his wife, possession of which he would have been required to deliver up to the Official Receiver or trustee in bankruptcy.

His wife was acquitted of aiding and abetting.

Mr Kansal came to the UK from India in 1967, and qualified as a pharmacist. In 1977 he formed a company which flourished until, by 1983, it operated some 30 chemist shops. At about that time he purchased a house with a £50,000 mortgage.

In 1986 the house was mortgaged. The original mortgage was paid off and the balance invested in the business. By then Mr Kansal was encountering financial problems. In February 1988 a finance company obtained judgment against him in respect of a £4,000 loan, and the company went into liquidation in February 1987.

On March 11 1988 a bankruptcy order was made against Mr Kansal. Five days later the Halifax advanced £180,000 on the security of the house, and a further £116,250 a week later. Those advances formed the subject matter of the Crown's allegation that he had misled the building society.

On March 23 his wife collected £104,356 in cash from the bank, being part of the building society advance, and took it in a bin liner to India.

The Crown alleged that was done at Mr Kansal's instigation with knowledge that the money should have been delivered up to the Official Receiver or the trustee in bankruptcy.

On May 20 Mr Kansal made a statement of affairs pursuant to the Insolvency Rules 1986, and a narrative statement to the Official Receiver's examiner.

On July 28 at the Romford County Court, his public examination took place. The Official Receiver asked him a number of questions and elicited incriminating answers.

At Mr Kansal's trial the Crown intended to produce a transcript of the public examination, and the bankruptcy file. Judge Rucker ruled that the documents were admissible.

Mr Kansal's appeal basically was against that ruling.

The appeal turned on the proper construction of section 31 of the Theft Act 1968, and the impact of section 433 of the Insolvency Act 1986.

Section 31 provided that a person was not excused on the ground of self-incrimination under the Act from answering any question put to him "in proceedings for the recovery or administration of any property or for the execution of any trust... but that no statement or admission made in answering the question should "in proceedings for an offence under this Act" be admissible in evidence against him.

Miss Arden for Mr Kansal contended that bankruptcy proceedings were "proceedings for the recovery or administration of any property" or "for the execution of a trust".

Accordingly, she said, while Mr Kansal was not excused from answering questions in bankruptcy proceedings on the ground of self-incrimination, he was protected in "proceedings for any offence under this Act", ie the Theft Act, his answers being inadmissible

against him in those proceedings.

Miss Arden said the bankruptcy process was very much concerned with getting in and distributing the bankrupt's assets and that the words "for the recovery or administration of any property" were apt to cover the duties of the Official Receiver or trustee in bankruptcy, who also executed a statutory trust. She said there was nothing in section 31 that excluded bankruptcy proceedings from the ambit of the section.

Also, she said that the privilege from self-incrimination had been enshrined in the law for centuries and if it was abrogated there should be a counterbalance such as was found in section 31 rendering statements inadmissible in criminal proceedings. She said it was not part of the bankruptcy process to ensure that bankrupts were prosecuted, and the court should shrink from the construction of the statute that lent support to any such result.

Section 433 of the Insolvency Act 1986 provided that "in any proceedings (whether or not under this Act) a statement prepared for the purposes of the Act "may be used in evidence against any person making or concurring in making the statement".

Miss Arden submitted that that provision must be read subject to section 31 of the Theft Act and that if there was conflict between the two sections, section 31 must prevail. She said it was a specific provision giving protection in a limited field, as opposed to the generality of section 433 (see *Seward v Vera Cruz (1884) 10 App Cas 68; Blackpool Corporation (1922) 1 AC 34*).

Mr Crystal for the Crown submitted that there was no warrant for the suggestion that section 31 embraced or was ever intended to embrace bankruptcy proceedings.

He said section 31 related to civil proceedings *inter pares*, where a claim was made in relation to property which had been acquired in circumstances of an incriminating nature. The normal privilege against self-incrimination was abrogated by the terms of section 31 in such proceedings.

Bankruptcy proceedings on the other hand, he said, had no *inter* adversarial and the whole statutory scheme of bankruptcy had a different purpose and objective when compared with civil proceedings properly so-called.

The objectives of the statutory scheme for bankruptcy, found in the 1986 Act and the 1988 Rules, were to enable the bankrupt's affairs and dealings to be investigated under court control; to provide statutory machinery for collection and realisable distribution of his available assets; and to rehabilitate him through the process of discharge.

He said the privilege from self-incrimination was abrogated in bankruptcy proceedings, not by the opening words of section 31 of the Theft Act, but by rule 6.175 of the Insolvency Rules - "(1) The bankrupt shall... answer all such questions as the court may put... (2) The written record may in any proceedings (whether under the Act or otherwise) be used as evidence against the bankrupt...".

Thereafter section 433 of the 1986 Act rendered the evidence admissible.

Mr Crystal's submissions were right.

Section 433 was not a provision of general application subject to a special exemption created by section 31 of the Theft Act.

It was concerned with admissibility of a special class of document derived from insolvency in "any proceedings" whether or not under the Insolvency Act or the Theft Act.

The section was not concerned with privilege, but with the admissibility of evidence. Its terms were clear, unambiguous, unequivocal and were not subject to any exceptions.

In Mr Kansal's case, his privilege against self-incrimination was abrogated by the insolvency legislation. Once that situation arose, section 433 came into play.

Section 31 of the Theft Act was not capable of protecting Mr Kansal. The judge was right to admit the evidence. The appeal against conviction was dismissed.

For Mr Kansal: *Mary Arden QC and Richard J Haworth (assisted by the Registrar of Criminal Appeals).*

For the Crown: *Michael Crystal QC and Peter Gower (Crown Prosecution Service).*

**Rachel Davies**

*Barister*



## ARTS

Exhibition/Susan Moore

## Aztecs and injuns

Perhaps no account of the fate of the Amerindians since Columbus could be as dispassionate. *Home of the Brave*, its title ironically provided by the Star Spangled Banner, takes a highly charged subject and does all it can to elicit an emotional and political response from its audience as it is propelled from 15th century Castle to the White House, in more ways than one, this "amazing new museum experience" is a provocative as well as spectacular European contribution to the Columbus quinqucentennial.

It is indeed an experience, a touring, 52m, multi-media tour-de-force organised by Glasgow Museums and the Fondation Mécénat Science et Art of Strasbourg. Visitors make their way through a sequence of dimly lit stage-set galleries which chart the discoveries of the Americas and the relentless quest for Eldorado. We travel with Columbus to the Bahamas and the Caribbean islands, with Cortés to Mexico, Pizarro to Peru, and Jacques Cartier to Canada. En route we encounter a recreated pueblo village and an Iroquois longhouse.

As we progress, our cordless headset picks up the music specially composed by Philippe Eidel, background sounds of dripping rain forest and crackling fire, plus the narrative from the short films playing on the wide screen. There are things to touch: an Olmec stone jaguar head from 1500BC Veracruz; a buckskin, a snowy feather headdress and a recently carved 4m high totem. The borrowed tapes even offer the lingering fragrances of the camp fire. Effects and videos are exceptionally well done, and the headsets ensure careful viewing even if surrounded by schoolchildren. The pitch is popular, but the quality of the exhibits is sufficient to captivate the enthusiast for hours.

Glasgow has chosen to focus its show on peoples already familiar to its audience, and British museum collections unsurprisingly boast rich holdings of North American Indian artefacts.

A far greater treat, however, is the

astounding and generous loans from Mexico. Here are dozens of sculptures, bas-reliefs, frescoes, ceramics and other ritual artefacts that have survived from the pre-Columbian civilisations of South America. What is mad-dening is that one wants to know more about the objects than the bald captions supply, and the book - rather than catalogue - accompanying the show does not oblige.

An elaborately carved chalk head from 500-700AD Chiapas, its intertwining symbols forming a pictorial text, introduces us to a group of Mayan rarities. A second gallery concentrates on the remarkable clay figurines and vessels produced 1150-1000BC, largely by the Olmecs or under their influence. One naturalistically relaxed Guerrero figure from 1150-1000BC is of a well-coiffed woman sitting cross-legged in a fringed skirt, her left arm supporting her weight. The garment draped across her shoulders might almost be a carapace. Zapotec funeral urns depicting various divinities are another highlight.

No doubt much interest is generated by the basalt figure of one of the 400 Aztec gods of intoxication, and by the objects associated with the last years of Aztec human sacrifice. Flint knives, some decorated with eyes and teeth, were used to cut out human hearts which were then offered to the sun to refresh the cosmic energy. Such rituals were to horrify the Spanish Conquistadores, but was their own *Auto da Fé* any less morally reprehensible?

Inevitably, the exhibition book is able to explore more fully the circumstances that compelled the confrontation of the Old and the New Worlds, the subsequent devastation and, at times, the vital merging of the two. (*Americas Lost*, edited by Daniel Lévine, published by Bordas, £19.)

One of the strangest aspects of the chance discovery of the new continent is how, again and again, the native Americans offered so little resistance to relatively few Spanish troops and accepted their subjugation. Most of them, it seems, anticipated the return of white and bearded divinities. That helps us to understand why the Amerindians were literally demoralised when the whites revealed themselves not as gods but as slaughterers and oppressors. Their whole concept of the world was destroyed.

Certainly the record of the European presence in the Americas is shameful. It is estimated that some 80 per cent of the native population disappeared during and immediately following the Spanish Conquest. Smallpox and measles brought death to thousands. The Old World gave its diseases, but took land, slaves, and the plundered continent's mineral resources. The great monuments of the Aztec and Inca empires which had so amazed the conquistadores were razed to the ground, and Catholic churches erected in their place.

Unlike the Spanish, the British and French in the North showed little inclination to intermarry and preferred to colonise Indian land. By the late 1770s, the colonial population outnumbered the Indians. By the end of the 19th century, the Indians had all but shared the fate of the buffalo. It is with the history of the North American Indian that the exhibition, unlike the book, loses its balance and objectivity.

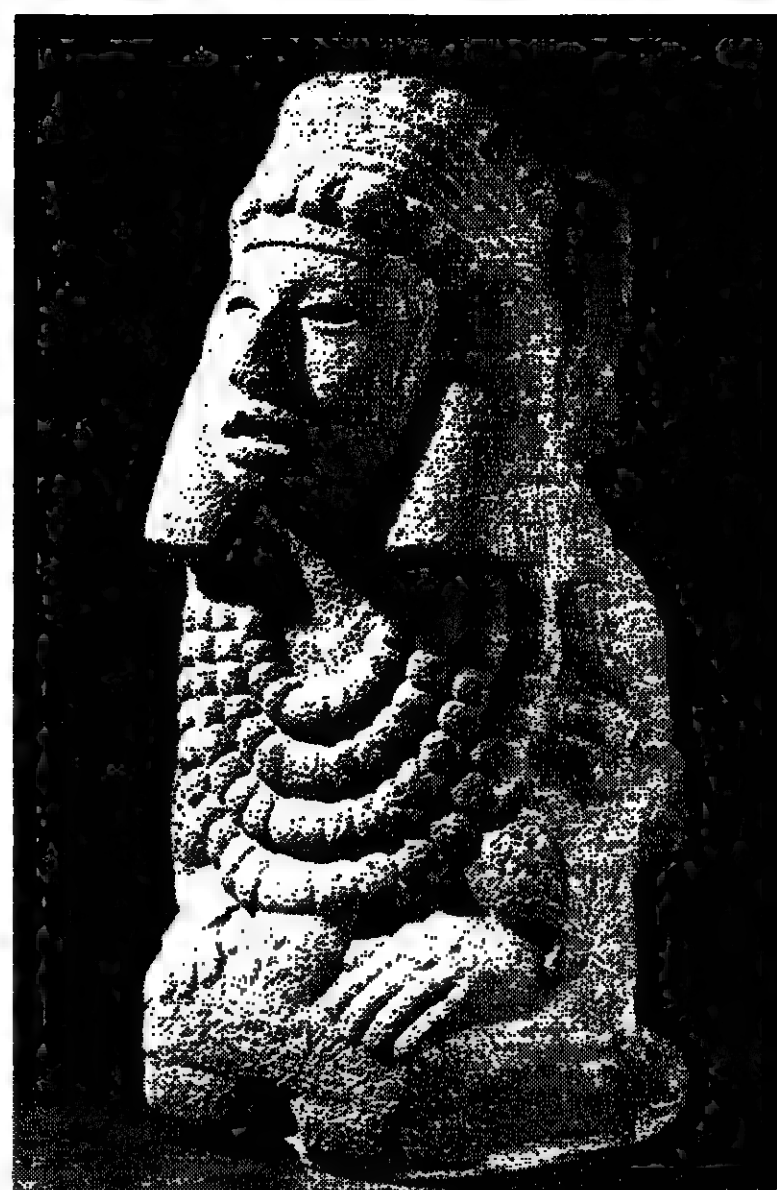
We find a muslin tunic taken at the Battle of Wounded Knee in 1890 - complete with bullet hole - among the pieces placed in old-fashioned museum display cases. This presumably signifies the end of the living culture of the Redskins and the beginning of the villainous White Man's ethnography. In the same room, called "The Old Museum", the TV run the old cowboy and injun movies that celebrate the pioneer's version of American history.

"Pacified America" offers an emotive climax. Its walls are lined with colourful, hand-blocked panoramic wallpaper first produced by Zuber in 1834, and which hangs in the White House. Entitled "Scenic America", its portraits the North American Indian reduced to the indignity of curiosity as he dances for the amusement of the white man. In the centre of the room, exhibited behind a wire fence,

are a dozen of the 40,000 sepia photographs taken by Edward S. Curtis at the turn of the century to record the fading glory of the redskins. They make a mockery of the words of the Star Spangled Banner resounding in our ears.

In their simplistic portrayal of Indian life, the organisers of this otherwise excellent exhibition are in danger of romanticising the North American Indian and simply replacing the myth of the western with another of late 20th century making, ecologically sound and politically correct.

The exhibition continues at the McEllan Galleries, Glasgow, until September 30, then on to Paris, Strasbourg, Munich, Lyon and Bordeaux.



Aztec figurine exhibited in 'Home and The Brave', Glasgow

are a dozen of the 40,000 sepia photographs taken by Edward S. Curtis at the turn of the century to record the fading glory of the redskins. They make a mockery of the words of the Star Spangled Banner resounding in our ears.

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Pop/Antony Thornecroft

## Dire Straits

Dire Straits are deeply unfashionable. You can't make so much money over so many years appealing to the Working classes without getting it in the ribs from urbane critics. The fact that the band dresses like a bunch of window cleaners gives the criticism some weight.

For Earl's Court, on yet another leg of a global sweep (with sponsors Phillips adding more weight to their wallets) they made no attempt to convert the unconvinced. This was a performance relaxed to the point of inertia. Even the jokes were laid back: near the end, after the first jangling bars of "Money for Nothing", leading Straits Mark Knopfler shook his head, folded his arms, and pretended to go on strike. The rest of the group was spotlighted, swinging their legs, drinking ale, equally reluctant to perform the most celebrated anthem to pop excess. What a tawdry Within a minute they were back to work, churning out one of those infectious melodic lines which make Dire Straits accessible but chunky.

Knopfler can afford the best backing musicians and Chris White on saxophone and Paul Franklin on steel guitar fleshed out the sound, occasionally to the point of excitement. The problem is that Knopfler's output as a composer is variable. A decade or so ago every song was a coconut; now there are

some dodgy walnuts among them. It's always roughly the same sound but the version from the days of "Sultans of Swing" and "Romeo and Juliet" is so much more enjoyable than the later work in which Knopfler shows off his newly acquired social conscience.

But for all the blandness Dire Straits are polished and professional. It is a criticism that you find yourself watching Knopfler on the screen, where close ups catch his fingers magically milking the frets, rather than the long distance static view of the man live. His guitar virtuosity seems as God given as Clapton's and, within limits, Dire Straits are prepared to have fun.

"Sultans" was given a performance that was almost minimalist, with Knopfler biting off the lyrics, and the band emboldened some of the melodies with improvised snatches of everyone from Diana Ross to Wayne Shorter.

Dire Straits have always delivered to the format, and there was little tedium in a set that generously extended two hours. There was little mind blowing passion either, but that's not the band's bag. This was pop music's answer to a double bill of Beethoven and Tchaikovsky, excellent for corporate entertainment and for sending the audience out whistling the tunes. Ideal in fact for the start of the London Season.

Concert/Richard Fairman

## Songmakers' Almanac

The timing of this programme on Wednesday by the Songmakers' Almanac was delightful. Under the title "Community Singing" it set out to hymn European unity on the very day that newspaper headlines were proclaiming the dream of unity gone for good and the Community locked in discord - a different song altogether.

As the programme reminded us, however, the issue of Europe as a single nation has been in the minds of men for a century and more. This recital was in the British Library's Stefan Zweig series and it was the words of the Austrian writer that provided the running theme of the evening. On the day that Blair crossed the Channel, Zweig apparently declared that there was no longer any point in "guards, customs controls and border duties", which sounded like heresy being recited here at St John's, Smith Square, so close to the Palace of Westminster.

In words of music Graham Johnson had sought to find connections among the 12 EC countries. The programme was effectively an intricate study of the cross-fertilisation that has taken place between the various cultures and it was a shame that its balance was upset by the last-minute absence of the soprano, Nancy Argentina. Her replacement, Richard Jackson,

found himself awkwardly asked to deputise as a baritone Ellen in one of Schubert's Sir Walter Scott settings.

That was one of many songs in which the composer chose poetry in a language other than his own. Sarah Walker, for example, gave us Poulenc setting Shakespeare and Haydn's solo Italian cantata *Arianna a Naxos*. Almost every British mezzo must be tired of being compared to Janet Baker by now, but for scalding Italian passion there really has been nothing to compare with Baker in this particular piece, even if she did not have Walker's rasping chest tones.

Of the three singers, Martyn Hill was in the most consistently good voice. He offered Roussel tackling James Joyce and Gounod's seductive "Maid of Athens" to words by Lord Byron, a gift of a song that Johnson at the piano milked for all its worth. Then, to finish, a sensitively shaped performance of Britten's *Six Hölderlin Fragments*, a short cycle which finds English composer and German poet uniting in search of the Greek ideal.

All told, there was music or poetry from most of the EC countries - but not Denmark. Perhaps the Songmakers' acute ear had caught a pre-echo of the events to come.



Benjamin Luxon and Susan Bullock

At the Coliseum Mark Elder conducts Verdi's last opera with great finesse and even passion, though when the music must wear a magical delicacy he achieves that too. This is a revival with support from Mrs Donatella Flick of David Pountney's 1989 production. Amongst the entire cast - none of them had - there is a general air of eagerness to please, and they attacked the all-in final fugue with enough exuberance to make a satisfying end. So far, so good; but not good enough.

Marie-Jeanne Lecca's designs are as unappealing as ever. Though there are coy hints of Elizabethan in both the peculiar costuming and her basic set - a central tower which contains Falstaff's arm at the Garter Inn in its hollow and rotates boringly, and three sides of skeletal house-fronts numbered 1 to 8 with mail-slots - the effect is wilfully scatty. It removes any sense of period or of place (not Windsor, nor even England: Miss Lecca hails from Romania), from an opera where these things fix the terms of the action. By the time we get to the nocturnal *dénouement* in Windsor Forest, it hardly matters that the rustic spookery is rendered in pinball-er lighting effects.

In fact the Windsor locals are garbed as Suburbanites from Hell, or from Outer Space. The respectable "merry wives" are squeezed into bizarre little dresses and large bonnets, Mistress Ford's dangerously jealous husband into a ludicrous gangster-suit which denies him either bourgeois dignity or paternal menace. As so often now, Mistress Quickly's lower social status is erased, though Anne Collins sings her with the right fruitiness - and as much broad, sitcom mugging-to-the-audience as everybody else. Pountney's great gifts as a producer have never extended to eliciting humane detail from his opera's actors.

When Falstaff is thus reduced to feather-weight farce, the subtle insights of Verdi's masterly score cannot register. His charac-

## Opera/David Murray

## Falstaff

terisations-in-a-phrase pale away if Falstaff is only a loon, the merry wives are never flirting with real danger, and the young lovers' plight amounts to no more than a temporary embarrassment about how to tell Daddy. From Malcolm Donnelly's blunt Ford, you would never have guessed that his anguished Act 2 soliloquy can make a powerful concert-piece.

At first sighting Benjamin Luxon's Falstaff looks ideal, but thereafter he takes the role no further than an amiable old butter's bemused innocence. His reactions are never gross, nor seriously choleric; neither does he overween or bluster. Instead of the Falstaff we know and cherish, he is somebody quite similar but much nicer - and infinitely duller. The Luxon version no longer carries a Falstaffian weight; still, it would have made a sharper impression if his singing pitch had been less often vague or indeterminate. Donnelly's Ford suffered from that too, and Terry Jenkins' Dr Caius.

Susan Bullock and Yvonne Howard make sturdy merry wives, without any shadings to notice. Alison Hagley's Nannetta looks too modern and knowing for her music, but sings it with grace; better still her tenor swain, though Bonaventura Bottone's visible persona - flash and spivvy, a stand-up comic - is weirdly wrong. All the other ENO principals have been here before, neither better nor worse.

Though turning the Verdi-Bolton Falstaff back into English might seem a bonus, the language is an insuperable problem. For all the resourceful wiles of Amanda Holden's translation, there are just too many pungent phrases that Verdi composed irrevocably in Italian. Syllable for syllable,

they refuse to go into natural English with anything like the pithy eloquence that inspired Verdi's setting - but hasn't touched the performers here.

While Falstaff brings ENO's season to a close, the Royal Opera is in the middle of its busy summer schedule. The production of *I Puritani*, which won general approval when it opened a few weeks ago, is still in repertory, a stalwart try at Bellini's difficult English Civil War opera, driven along with combative vigour and not a small degree of noise from the pit.

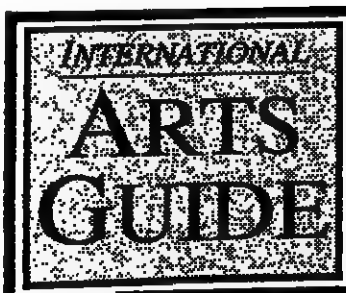
Into the thick of the melee for the last two performances has stepped a new and delicate heroine Elvira. Sumi Jo has been having a busy time at Covent Garden, first with her faultless mechanical doll Olympia in *Les Contes d'Hoffmann*, then as Adina in *L'elisir d'amore*. The role of Elvira takes her a lot further and, at times, right to her limit. The voice is pure but small, and trying to dominate the ensemble at the end of Act 1 left her with not an ounce of tone to spare.

Nevertheless, she stayed the course and used her resources cleverly to best effect. The coloratura was fluent if not dazzling; the lyrical solos were shaped with real musicianship, even when there was not the range of colour or force to drive an important line home. As a petite, girlish Elvira, she knows how to hold the stage and was by no means overshadowed by the more domineering among her colleagues.

*I Puritani* does not come round often and this adds up to a decent enough performance of it to warrant a visit. There is one last chance to catch the show tonight.

Richard Fairman

Falstaff remains in repertory at the English National Opera to 30 June



Mikhail Baryshnikov returns to the New York stage this month for six performances with City Ballet at the State Theater. He will dance George Balanchine's Duo Concertant (June 13, 18, 19) and give the New York premiere of a new solo work by Mark Morris, entitled Three Preludes (June 16, 24, 27). City Ballet's season ends on June 28 (870 5570).

The Kirov Opera makes its North American debut next month (July 8-18), taking up residence at the Metropolitan Opera immediately after the Kirov Ballet's short season. Valery Gergiev will conduct the St Petersburg company in performances of *The Fiery Angel* (in the production by David Freeman recently seen in London), *The Queen of Spades* and the Tchaikovsky production of *Boris Godunov* (362 6000). Lincoln Center will present a week of classical jazz from July 31 to August 8. The

programme, masterminded by trumpeter Wynton Marsalis, includes celebrations of Thelonious Monk's compositions, early New Orleans jazz legends such as Jelly Roll Morton, Duke Ellington's compositions inspired by women, the art of tap dancing and the collaborations of Miles Davis, John Coltrane and Cannonball Adderley. Among the artists taking part are Marsalis, pianist McCoy Tyner and saxophonist George Coleman (Center Charge 721 8500).

The Tanglewood Festival, the summer home of the Boston Symphony Orchestra, opens on June 28 with four evenings of chamber music. The first symphony concert is on July 3, when Selji Ozawa conducts Dvořák's New World Symphony and Anne-Sophie Mutter plays Mozart's Fifth Violin Concerto. Festival guests include Roger Norrington, Jessye Norman, Yo Yo Ma, Charles Dutoit, Carol Vaness, Itzhak Perlman and James Galway.

The season ends in late August with a jazz weekend featuring Ray Charles and the Dave Brubeck Quartet (Ticketmaster Boston 531 2000 New York 307 7171).

## EXHIBITIONS GUIDE

**AMSTERDAM** Stedelijk Museum The Great Utopia: the Russian Avant-Garde 1915-1932. A landmark exhibition covering the development of

the Russian avant-garde in all its facets before the dissolution of independent artist groups by Stalin. It includes architectural drawings and models, theatre decor and photography, as well as paintings and sculpture. Most of the exhibits are on loan from public and private collections in Russia. Ends Aug 31. Daily CHICAGO

Art Institute Masterpieces from the National Gallery of Ireland: 44 paintings by Mantegna, Titian, Gentileschi, Poussin, David, Velasquez, Gainsborough and others. Ends Aug 9. Also Jacob Lawrence: 63 works from the remarkable series of historical illustrations first exhibited by the African-American artist in 1938. Ends Aug 2. Patrick Tosani: an enormous colour prints by the French artist. Ends July 19. Daily DRESDEN

Albertinum Hidden Treasures of the Dresden Sculpture Collection: an exhibition of works from the Middle Ages to the 20th century, not seen in public since the Second World War, including the 12th century Otzdorf Madonna and works by Canova and Rodin. Ends Aug 9. Closed Mon Schloss Plinitz Wolfgang von Wersin (1882-1976): an exhibition illustrating Wersin's impact on the design of 20th century household objects made of glass, wood and ceramics. Ends Sep 6. Closed Mon GIVERNY

American Museum Lasting Impressions: American painters in France 1885-1915. An

inaugural exhibition of 90 canvases by 40 painters. Mary Cassatt, John Singer Sargent and Theodore Robinson among others celebrate the influence which the French Impressionists especially Monet had on the colony of visiting American artists, captivated by Monet's fame and the landscape and light of Giverny (70 km from Paris). Ends Nov 1. Closed Mon (99 rue Claude-Monet, Giverny, 27620 Gassy, tel 3251 9465) GOTHENBURG

Art Museum Carl Larsson: bicentenary tribute to one of the most idiosyncratic figures in Swedish art, with more than 300 works ranging from juvenile drawings to the monumental paintings and illustrations of his maturity. Ends Sep 30 LONDON

Tate Gallery Turner and Byron: 70 works exploring Turner's interest in Byron's poetry. Ends Sep 20. Also William Blake (1757-1827): the apprentice years, focusing on the influence of his time with the commercial engraver James Basire. Ends Aug 16. David Hockney: Seven Paintings. Ends July 26. Daily Institute of Contemporary Arts Mike Kelley: installations by one of the most important young American sculptors. Ends July 19. Daily

Royal Academy of Arts Summer Exhibition: the world's largest contemporary art exhibition, drawing together some of the finest examples of work by living artists. Ends Aug 16. Daily Dulwich Picture Gallery

Treasures of a Polish King: an exhibition on loan from Poland, showing what little is left there of the collection of the 18th century king Stanislaus. Dulwich's own, much richer collection of Stanislaus's treasures is in Poland on an exchange loan. Ends July 26 MADRID

Centro de Arte Reina Sofia Pop Art: a survey of the 1950s and 1960s movement popularised by Andy Warhol. Ends Sep 13. Also Marcel Broodthaers (1924-1976): 200 works and films by the Belgian artist. Ends June 28. Closed Tues MANCHESTER

Whitworth Art Gallery The Quaker Tapestry: 75 embroidered panels contributed by more than 300 people, exploring Quaker history and experience. Ends June 27. Also Into the 60s: a look at how painting and sculpture reflected the radical changes in British society in the 1960s. Ends Oct 26. Closed Sun MUNICH

Kunsthalle der Hypo-Kulturstiftung Caricature and Satire: 500 years of pictorial comment on contemporary life and politics. Ends Aug 9. Daily NEW YORK

The Drawing Center Guerrino: an exhibition of 60 drawings on loan from Windsor Castle, one of the highlights of the international celebrations of the artist's 400th anniversary. Ends Aug 1 Whitney Museum of American Art The Paintings of George

Bellows (1882-1925): more than 60 works by an artist who captured the vitality of American life at the turn of the century. Ends Aug 30. Also Gifts and recent purchases: 200 works by artists including Jasper Johns, Robert Rauschenberg and Bruce Nauman. Ends Sep 20. Richard Prince (b1949), controversial artist who originated re-photography. Ends July 12. Closed Mon Metropolitan Museum of Art Korean Ceramics from the Ataka Collection: 114 exquisite works surveying the full flowering of Korea's ceramic tradition from the 10th to 19th centuries. Ends July 12. Also Andrea Mantegna. Ends Sep 13. Closed Mon

PARIS Musée Guimet From the Tagus river to the Chinese Sea: a Portuguese maritime epic, with ceramics, porcelains and gold brocade bringing back the magic of Portugal's commercial links with the East Indies from 1513 onwards. Ends Aug 31. Closed Tues (6 place d'Iéna) Le Louvre des Antiquaires The Gardens of Baron Haussmann: documents, plans and engravings showing Paris of the Belle Epoque, with the Bois de Boulogne, Bois de Vincennes and other parks created at the behest of Napoleon III. Ends Oct 4. Closed Mon (2 place du Palais Royal) Galerie Schmitt Franch Masters of the 19th and 20th centuries, including a poetic Balzac landscape, a Courbet portrait

of his father and a Derrain. Ends July 18. Closed Sun (396 rue Saint Honoré) Centre National de la Photographie Annie Leibovitz: photographs 1970-90. More than 100 of the dynamic portraits that have helped shape and define the look of American popular culture. Ends July 27 (Palais de Tokyo, 13 ave President Wilson) Grand Palais The Vikings. Ends July 12. Closed Tues, late opening Wed (ave du General Eisenhower) ROME

American Academy Piranesi: architectural drawings 1784-67, on loan from American museums and private collections. Also Annual Exhibition: paintings by eleven American artists. Ends July 5. Daily ROTTERDAM Museum Boymans-van Beuningen From Pisanello to Cezaanne: more than 100 drawings offer a survey of the museum's own collection and of West European draughtsmanship from 1400 to 1900. Ends July 12. Also Jörg Immendorff (b1945): paintings, many in extremely large formats. Ends Aug 23. Closed Mon STOCKHOLM

Nationalmuseum Louis Jean Desprez (1743-1804): topographical views, stage decorations and architecture by the French designer who captivated Sweden's King Gustav III with his extravagant, fantastic stage sets. Ends Oct 4. Closed Mon



## FINANCIAL TIMES

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## How not to cut public spending

THE PRIME Minister has warned his cabinet that this year's public spending round will be especially tight. At the Treasury, the Chief Secretary, Mr Michael Portillo, flag-bearer of the Thatcherite tendency, should be true to the prime minister's word. He needs to be. But he should also eschew the standard Treasury approach, which ensures that the government does too much, all of it equally badly. What is needed is a more radical rethinking of public spending.

So naturally unradical a prime minister will find this uncomfortable. But powerful forces will drive Mr Major in that direction: foremost among them the state of the public finances. The chancellor of the exchequer insists he is sticking to his forecast of a £28bn public sector borrowing requirement this year. If so, that would be the only forecast he will be able to stick to. Growth will probably be lower than the 1 per cent forecast in the budget. Unemployment is also bound to be higher than the forecast of 2.4m, on which the spending estimates were based.

Not are slow growth and high unemployment the sole reason for the fiscal deterioration. Over the past year, discretionary increases have done almost as much as recession to boost public spending, now some 43 per cent of gross domestic product.

Economic growth cannot be relied upon to come to the rescue. The Treasury has consistently hoped that the economy would start to grow strongly in the not too distant future. It has proved consistently wrong. Since the public sector deficit is highly sensitive to the rate of economic growth, slow growth, never mind contin-

ued recession, would play havoc with Mr Portillo's sums.

The prime minister has also chosen two rods for his back. First, his citizen's charters impose standards on the public sector that people will expect to be met. Second, he has committed the country to the Maastricht convergence criteria, prominent among which is a target of 3 per cent for the ratio of the general government deficit to GDP, this being well below current magnitudes.

The standard Treasury response is penny pinching. The heaviest cuts will fall on the least well defended programmes, with investment cut most savage of all. There is another way, one that only a government at the beginning of its term could attempt. The watchword should be the chief secretary's words: "unlike the Labour party," he has said, "we do not believe in the inexorable growth of the reach and size of the state. Nor do we believe that the state can and should try to solve all our problems."

How might these words be put into practice? First, valuable investment should be defended from the squeeze on spending. More fundamentally, the government should ask of every area of activity whether the public sector need to do this at all and, if it does, whether users should make a financial contribution.

Mr Major will shy away from such questions. But he must accept the implications of failure to do so: either the government will be driven towards higher taxation or it will fail to deliver the high-quality services it has promised. Government need not be a penny-pinched nanny. Mr Major should ensure it is not.

## Euro-deals

WHEN IS a Euro-merger not a Euro-merger? The question was central to the recent argument over whether the rival bids for Midland Bank by Lloyds and the Hongkong and Shanghai Banking Corporation (HSBC) should be examined by competition authorities in Brussels or London. Now the issue has arisen again over the vetting of the planned £2.5bn takeover by Nestlé, the Swiss food group, of Perrier, the French mineral water company.

In the Midland case, matters were resolved after EC merger authorities decided to limit their scrutiny to the HSBC offer - which they swiftly cleared - leaving the UK Monopolies and Mergers Commission with sole jurisdiction over the Lloyds bid, which is still being investigated. In the event, that was a sensible compromise because an HSBC-Midland merger might have had competition implications at the EC level, while Lloyds' offer bore exclusively on the UK market.

The issues in the Nestlé-Perrier case are different. The European Commission has launched a full investigation into the deal on the grounds that it could damage competition in just one national market, France, where Brussels estimates the merged company would account for more than half all mineral water sales. That approach is strongly contested by

Nestlé, which argues that the relevant market against which the merger should be judged is the EC as a whole.

As a general principle, it would be greatly preferable for the EC to leave national authorities to examine large mergers which potentially affect competition in only one country. However, the French government has chosen - at least partly for domestic political reasons - not to refer the Perrier deal to its national competition commission. As a result, Brussels is the only authority available to handle a deal which clearly demands anti-trust scrutiny. The case for an EC investigation is strengthened by the risk that the merged company could use monopoly profits earned on the French market to distort competition elsewhere in the Community.

However, while the particular circumstances of this case justify Brussels' involvement, it is a second-best solution. Effective merger control requires firm and consistent regulation by independent authorities at both the EC and the national level, with clearly defined jurisdictions and common criteria for judging deals. Trying to muddle through with a patchwork system which avoids jurisdictional conflict only by accident will simply create increasing legal anomalies, political friction and business uncertainty.

## Hard training

JOURNALISTS always think that leaked documents are the most exciting in the case of the tortuous debate about improving Britain's training system, leaked documents also seem to be the clearest.

Recently there have been two: one from the business people who run the fledgling training and enterprise councils and a second from Sir Geoffrey Holland, permanent secretary at the Department of Employment.

The 'tec leaders' note is of interest mainly because of the untrained language in which it makes its case that "the Tec movement is on a knife-edge". It argues that Tec knows their purpose and have the energy and expertise to deliver, but they are being impeded by Whitehall inflexibility and shortage of funds.

Sir Geoffrey's note has benefited from the thinking time allowed to civil servants during a general election campaign. It is essentially a memo to the new minister, taking stock and setting an agenda. As such, it is a good deal sharper than any recollectable political speech on this subject.

Sir Geoffrey argues that Tec is fragile "despite but not irreversibly" and in danger of losing momentum. He proposes three main remedies: the adoption and vigorous pursuit of clear and publishable targets; a better relationship between Tec and their local education systems; and a more effective national-level umbrella body.

The most striking thought

which occurs in response to this list is the extent to which it points a finger at the government itself. The Thatcher/Major administrations have vacillated wildly about targets, declined to require any formal link between Tec and local education authorities and resolutely defended the congeries of committees and councils which has connected the Tec network and central government.

This is then followed by a second thought. Local education authorities are central to improved vocational education. But in pursuit of its education reforms the government is drastically changing and perhaps destroying them, without adequately considering how they are to be reshaped or replaced.

This is no way to treat the Tec, charged as they are with such an important aspect of Britain's competitiveness.

Targets, based upon the emerging system of national vocational qualifications and the floundering Investors in People "kite" for training, are a prerequisite both for motivating Tec and for judging their performance, which ought in turn to be the eventual basis upon which they are funded. Coupled with an appropriately flexible institutional structure, based upon the now familiar purchaser-provider model, these changes would do much to renew the momentum of Tec.

And who knows, in the groundswell of open government, perhaps those involved could then also communicate in public.

The United States is now sailing in waters politically uncharted in 80 years. Three candidates, not the usual two plus or minus a distant third, want to be president and any one of them could make it. All the standard electoral calculations are rendered for the moment suspect. Proving the point, California, the biggest state and supposedly its trendsetter, held a primary on Tuesday - and hardly anyone noticed or cared.

Serious three-horse races in the US are rare, as in Britain. The last approximation to what could happen here was in 1912 when former president Teddy Roosevelt, running on the ticket of the independent Bull Moose party, won nearly 30 per cent of the vote. No other independent has since hit double digits except George Wallace from Alabama in 1968, and he was, in the end, strictly a regional candidate, albeit one who helped put Richard Nixon in the White House.

But Ross Perot is a completely different sort of independent candidate. All the others of note this century had party roots - Teddy Roosevelt, Robert La Follette, Henry Wallace, Strom Thurmond, George Wallace, John Anderson. Mr Perot not only springs from no party, he is above, beyond and without party. He conforms to tradition only in that he is a populist, a long line, to be sure, but one normally confined to state boundaries. Like the Kingfish, Huey Long of Louisiana.

Mr Perot, it must be said from the outset, could also prove to be one of the greatest ephemeral and illusory candidates of all time. His current popular standing, at least level with President Bush and usually ahead of Governor Bill Clinton, is attested to only by exit and public opinion polls of smallish samples and, more persuasively, by the insistent buzz on the talkshow airwaves and the mini-rush to his cause by some political veterans, like Ed Rollins and Hamilton Jordan. To know Ross Perot, as the country still does not, may not be to love him.

Six short weeks ago, the most that sober-sided political observers would concede was that he might be a factor in some states, like California, always freaky, and Texas, his home. The basic question then was whether he would hurt Mr Bush or Mr Clinton more, on which opinions were divided.

That is no longer the case; the same sober-sided may still not believe in their experienced minds that he will win, but their noses and their ears are picking up smells and sounds that he might. He may lack all the conventional attributes of a successful campaign - organization, policies, advice, core constituencies, everything with the exception of money - but if the country is as angry as it seems then conventional wisdom matters less.

Why is this so? It does stretch credulity that a funny looking tycoon with a Texas twang, known to be intolerant of disagreement, inclined to cut corners in the pursuit of his goals, notorious for a folksy wisdom stuffed with inconsistencies, and almost wilfully ignorant of some of the great issues of our time, should be even considered as the popular choice to run the most pluralistic, complex and constitutionally enshrined democracy the modern world has produced.

The answer lies in part in the previous section. Americans want solutions, not explanations, and he promises action. They are desperately disappointed with the two-party system, which has been in decline for a generation. Mr Perot

# Bets are off in a three-horse race

Ross Perot's rise in the US presidential contest marks a breakdown in traditional party politics, says Jurek Martin



has found a new way to manipulate the establishment media, principally by ignoring it. He has money, his own, to burn, which means that at least his own campaign is not being financed out of taxpayer pockets. He is not now, nor has he ever been, a regular or intimate member of the establishment, though he has sipped with it.

Mostly his improbable rise is a reflection of the alternatives, George Bush and Bill Clinton. For Mr Clinton, in particular, this must seem profoundly unfair. Having proclaimed himself the candidate of "change," and made a detailed case for what should be done, he finds Mr Perot stealing his clothes without ever saying specifically what he would do instead. Having tried to pull the Democratic Party towards the sort of centre considered necessary to win elections, he is now possibly more dependent on the liberal special interests which still constitute its core.

Admittedly Mr Clinton was never his party's first choice, only emerging after the Democrat heavyweights last year declined to take on an overwhelmingly popular president. But his sense of Mr Bush's vulnerability was right. More than that, he had to fight through scornful coverage of his private life - wounds still not healed in the public perception - and yet managed

to beat back Democratic challenges of left and right. But the emergence of Perotism, plus the distraction of the Gulf war, has meant that the norm is only one of reaction and expediency, and the charge sheet covers the full gamut of taxation, the budget deficit, the inner cities, civil rights, abortion, the environment, Yugoslavia, and now even poor Haiti.

Mr Clinton is tough and smart and in this for the duration. What nobody can figure out any longer is what President Bush is in it for, or indeed even whether his heart is in it. This does not mean he is going to lose, but his reelection, apparently so certain six short months ago, is no longer assured.

It is hard to convey the magnitude of the indifference with which the president is now regarded at home. In the end Richard Nixon was loathed because he had deceived and Jimmy Carter was dismissed because he had disappointed. It is much harder to point a specific finger against Mr Bush simply because the target seems so insubstantial. But it is a fact that on any given evening it is easy to hear a constant private litany of complaints from staunch Republicans - not the far right now led by Pat Buchanan - that there is a void in the White House.

This sounds extreme of a president who led his country and the

world so well through the Gulf War. But the growing impression is that the resolution demonstrated in the Gulf was in fact an aberration; the norm is only one of reaction and expediency, and the charge sheet covers the full gamut of taxation, the budget deficit, the inner cities, civil rights, abortion, the environment, Yugoslavia, and now even poor Haiti.

Not even a recovering economy is yet working to his advantage, in spite of all the statistics that say it always does. This is partly because of the discrepancy between improving national figures and substantial local lags, especially in the west. It is partly a testament to the fact that this recession really did hurt and that recovery is still weak. Also, a three-way race makes it harder for Mr Bush to pin all the blame on "tax and spend" Democrats, when he has Mr Perot as well as Mr Clinton round his neck pointing out that the budget deficit under the Reagan and Bush administrations increased eightfold.

The overall picture is of an unwillingness at present to give President Bush credit for anything, beyond the Gulf war. Even the nation's chief executives, three quarters of whom will vote for him, according to a Fortune magazine survey this week, profess little enthusiasm, but more a fear of the

alternatives. There has been a tendency of late to say that it is not the president's fault and that he is getting bad political advice. This explains the non-stop flurry of rumours - that James Baker will be brought back from the State Department to run the White House or the campaign, that vice president Dan Quayle will be dumped from the ticket in favour of General Colin Powell, that Mr Quayle might swap jobs either with Mr Baker or with Dick Cheney at the Pentagon. All are denied and none will probably happen, but their very currency bespeaks the perception of an incumbent president in trouble.

Of the campaign itself, the standard criticism is that too much time was devoted to squashing the gnats that was the Buchanan campaign and not enough to anticipating the threat of Mr Perot or the staying power of Mr Clinton or to dividing the nation's mood of discontent.

Above all, the president himself seems unable these days to articulate either vision or policy with any consistency. Releasing Mr Quayle to lay into the "liberal" values of the media makes perfect political sense - but it requires the president to play a part too, preferably above the fray. This Mr Bush has failed to do, and has appeared confused and unprepared in consequence. Where he does speak, "Bushisms," his now notorious mangling of the language, simply do not reduce to soundbites, and they are often even more incomprehensible in print.

So what happens next? Normally there is a lull between the end of the primaries and the party conventions, the Democrats in New York in mid-July, the Republicans in Houston a month later. This month will be consumed by speculation about when Mr Perot formally declares, who he runs with, and what is the meaning of whatever he says. There will be much delving into his history and his ideas, which may or may not hurt him.

There remains the possibility, very slight, of a movement to stop Mr Clinton getting the nomination. It might gain pace if he is seen to be slipping in the polls into a poor third place. It is mathematically possible for the 723 superdelegates to the convention, party bosses mostly, to get together and deny him a first ballot victory. But the stop Clinton forces have no leader and no apparent cause and he could stop both in their tracks by a shrewd choice of running mate (for which the popular choice remains Senator Bill Bradley of New Jersey).

What Mr Bush does, frankly, is anybody's guess. The best recourse for an incumbent is always to be seen to be presidential, but neither the Earth Summit in Rio, which he is attending reluctantly, nor the economic summit in Munich next month promise initiatives that will grab the public imagination. There is little on the Congressional agenda for him to make a distinctive mark beyond exercises of the veto and if the Supreme Court upholds Pennsylvania's restrictive abortion laws then his own pro-life stance will land him slap in the middle of a divisive debate with clear political risk attached.

It is, therefore, perhaps appropriate that exactly 500 years ago Columbus sailed into uncharted waters and discovered America. If he returned, he might think not much has changed since - no Republicans, no Democrats and a lot of restless natives.

## Joe Rogaly

# Only one way forward



Europe may test Mr John Major as it did Mrs Margaret Thatcher before him. It tested her to destruction. He has so far demonstrated that he is made of more supple material. Now, suddenly, he is seen to be potentially vulnerable, the leader of a divided party, a prime minister whose authority rests on a slender parliamentary majority, a head of government who is waiting for events to come to his rescue.

The awkward moment may pass. Mr Major's European fellow-politicians are doing their best to arrange a neat fix to circumvent Wednesday's negative vote by the obstinate Danes. They made a start in Oslo yesterday, when the assembled EC foreign ministers started to talk about an arrangement whereby the other 11 members go ahead on their own, in the hope that the Danish electorate will eventually reverse its vote. "Europe has always proceeded by a series of hiccups and this is one of them," said the UK foreign secretary, Mr Douglas Hurd. His words have been the voice of the soothing optimist during the Great Plague.

The prime minister could find himself choking on this particular hiccup. Any fix, however neat, is likely to involve some jurisdictional sleight-of-hand, to get around the unanimity provisions of the Treaty of Rome. The result would rightly be regarded as a stitch-up, a dubious deal that would further trouble Conservative backbenchers. It would certainly confirm the popular suspicion that EC matters are arranged in back rooms. Article A of the Maastricht Treaty refers to decisions being taken "as closely as possible to the citizen". This would be exposed as a sham.

There is only one honest way forward. Maastricht must be reviewed, in spite of the Danish government's abandonment of its request for a renegotiation. The revised treaty's terms should be put to a popular vote. This would be tricky. A new inter-governmental conference would be unpredictable. There would be strong pressure to increase the powers of the European Commission, at the expense of the *Europe des patries* structure so skillfully bargained for by Mr Major. That would blow the Tory party wide open.

Alternatively, the UK opposition parties could nearly unite it by assailing the prime minister's entire European strategy. All they have to do is demand a referendum. As it happens, the Labour party is ill-placed to do this. Mr Neil Kin-

Maastricht must be reviewed, in spite of the Danes' abandonment of their request for a renegotiation

nock is a lame-duck leader who has rejected a referendum. On July 18 he will be replaced by Mr John Smith, a dedicated pro-European and a man not easily persuaded to make grandstand plays. Yet the case in favour of a British consultation is stronger than it was before the Danish voters indicated by a slender majority that their opinion is different from the one urged upon them by their politicians and their media. In April it did not seem to matter that there was no popular debate about the Maastricht treaty during the British election campaign, since all parties supported it. Now there is to be a referendum in France. The Irish are going ahead with their ballot. Such pan-Euro-

pean polling evidence as exists shows no widespread popular enthusiasm for the treaty.

We who have argued that Maastricht represents a defeat for the proponents of a centralised government of a United States of Europe are mere politicians and commentators. Wider electorates, as the Danes have shown, may see matters differently. The treaty itself repeatedly refers to this or that new or extended power of the appointed commission; the wessel words which, largely at Britain's insistence, trim these back have to be sought for in the small print. A referendum would oblige the government to produce a clear exposition of what the various clauses mean, something not yet vouchsafed to MPs, let alone the country.

Those who dream of a single Europe, placed in counterpoise to the United States, fear a referendum. This is not democratic thinking, nor would an imposed solution constitute a sound foundation for a step towards a superstate. You can never be sure, but the chances are that the Irish and the French will vote yes, and that the British, given the chance, would follow suit. That would legitimise the European union in a way that can never be achieved by meetings of heads of government, however democratically elected they may be.

All this could come to dominate the second half of 1992, when Britain has the EC presidency. Mr Major has only had a couple of days in which to reflect upon this. So far he has stonewalled, with some success. His present strategy is to carry on with talks about enlargement of the EC, completion of the single market, bargaining over the Community budget and all the rest of it, in the hope that time will untie the Danish knot. Perhaps it will. But the prime minister knows that he cannot bank on it.

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Richard Tomkins analyses the arguments over extending the London Underground to crisis-hit Canary Wharf

## No jubilation at the end of the line

It is time to blow the whistle on London Underground's Jubilee Line. Plans to extend it to Docklands at a cost of £1.7bn have been rendered redundant by the financial collapse of Canary Wharf. To proceed with the project now could be the railway equivalent of building Concorde.

This is not an assertion that many outside the Treasury will wish to hear, but the facts argue in its favour. To set them in context, it is worth dwelling for a moment on the project's history.

Extending the Underground to Docklands and the rest of London's eastern hinterland is not a new idea. The Jubilee Line had two previous incarnations in the 1970s: first, as the Fleet Line, running from the West End to the City before turning southwards through Wapping to Lewisham; and second, as the River Line, following the same course to the City but then serving the Isle of Dogs and Thamesmead.

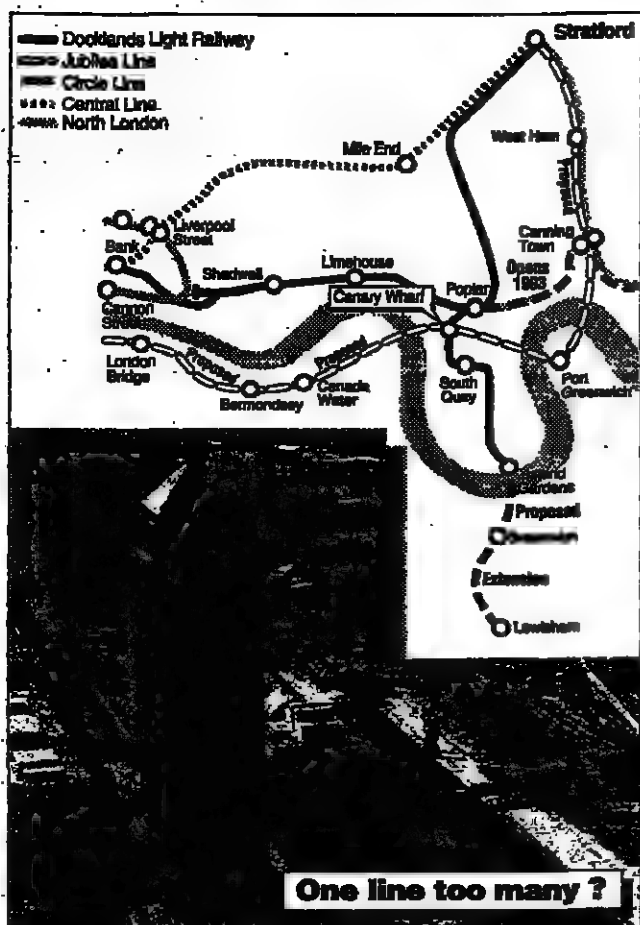
The financial case for these projects, however, never stacked up, and after the oil price crises of the 1970s, the then Labour government was in no mood for extravagance. So while a vestige of those earlier plans survives in the form of a pair of empty tunnels running forlornly under the streets of London eastwards as far as Aldwych, the passenger-carrying part of the re-named Jubilee Line never stretched beyond its present terminus at Charing Cross.

When, in 1981, the Conserva-

### The government reacted with astonishing speed and generosity to the Reichmanns' grandiose plans

tive government set up the London Docklands Development Corporation to oversee the regeneration of docklands, it had to look again at east London's transport needs. But an Underground line from the West End costing more than £1bn still looked an absurdly expensive proposition in the context of the modest regeneration then envisaged. Instead, the government opted for the construction of the Docklands Light Railway on a shoestring budget of just £77m.

That might have been the end of the story had it not been for the Reichmann brothers. But when they and their private property company, Olym-



One line too many?

pia & York, arrived in 1987 with their grandiose scheme to turn the Isle of Dogs into a business centre rivaling the West End and the City, the transport plans were thrown into chaos.

Contrary to popular myth, the government was not tardy in its response. Rather, it reacted with astonishing speed and generosity. Within months, it was carrying out detailed work on the options for improving Docklands' transport infrastructure. The East London Rail Study was published in January 1988, and in November that same year a Bill to authorise construction of the Jubilee Line extension went before parliament. Some £3.5bn was committed to roads, the Underground line and the upgrading of the Docklands Light Railway.

Meanwhile, central London, crippled during the boom years of the late 1980s by appalling congestion and decaying infrastructure, was left to rot.

The biggest single factor underlying this investment in Docklands infrastructure was the prediction that the Canary Wharf development would boost the number of jobs in Docklands to 150,000 by the year 2005. (Canary Wharf alone, which today houses fewer than 4,000 people, was

predicted to provide jobs for up to 55,000 on completion.) But Canary Wharf's financial collapse and the death of the commercial property market have pushed those forecasts into the realm of fantasy. If they are ever achieved, it will not be until at least a decade later than expected.

It is too late, however, to delay much of the transport infrastructure. By this time next year, the bulk of the £1.6bn Docklands roadbuilding programme - the biggest road programme in Britain - will be complete, leaving the area with excellent access for buses, coaches, taxis and cars. Unlike the City or the West End, Docklands will also benefit from cheap and almost unlimited parking.

The Docklands Light Railway, meanwhile, will have been transformed from its present toy-town railway status to an urban mass transit system. Some £800m has been spent on extending the line to Bank in the City and Beckton in the east, and by next year the line's capacity will have risen from its 1987 level of 15,000 passengers a day to 15,000 passengers an hour.

Few transport planners would dispute that, with this infrastructure in place, the combined capacity of all transport modes to Docklands will

be adequate well beyond the Jubilee Line's planned opening date of 1996. So does it not make sense to shelve the Jubilee Line extension until it is needed, and get on with more pressing projects?

The Jubilee Line extension's advocates answer that to do so would seal Docklands' doom. With the Jubilee Line in place, Canary Wharf could still fulfil its creators' dream of becoming a third London business centre. Without it, the development can never hope to be regarded as anything other than a second-rate out-of-town location for clerical and back-office functions.

The difficulty with this argument is that it contains an element of wishful thinking. There is little likelihood that Canary Wharf would fulfil its creators' dream in the foreseeable future even if the Jubilee Line were in place, and the Treasury will rightly question whether such a large expenditure of taxpayers' money should be gambled on such an uncertain outcome.

Meanwhile there are many other transport projects in London to which investment could be usefully diverted - and which, in pure transport terms, deliver greater benefits per pound than the Jubilee Line. London Transport, though extremely reluctant to abandon the Jubilee Line after investing so much time and money in it, has started to draw up an emergency list of projects it could bring forward in its place.

The long-overdue upgrading

### Line extension advocates say that to shelve the work until it was needed would seal Docklands' doom

of the existing Underground system, the stepping up of the station modernisation programme, an acceleration of the planned Northern Line upgrade and the possibility of bringing forward the £1.7bn Paddington-Liverpool Street Crossrail project by a year are among the benefits that would accrue to Londoners in the next five years if only the Jubilee Line extension were postponed.

Even that would only soak up £800m to £700m. With the change from £1.7bn, the government would have enough to console everyone working at Canary Wharf with a free Rolls Royce, and still save the taxpayer money.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### Not good advice

From E W Brown.  
Sir, Michael Dixon's relay of advice from a marketing consultant working from New York (Recruitment, June 3) that the way round the secretary barrier is to misplace the word "not" can only result in increasing isolation for top UK managers now that their secretaries will rigorously filter out all calls from "we've met before" claimants.

Perhaps the marketing consultant, who advises on the packaging of ideas and products, should champion a telephonic lie-detector, the US market for which, on this evidence, should be quite large.

E W Brown,  
3 Green Lane,  
Maidenhead,  
Berkshire SL6 6XX

### Troubleshooter clear and unequivocal

From Mr David Pich.  
Sir, The allegation that companies were "duped" into taking part in RBC's award-winning Troubleshooter series ("Toil and trouble", June 1) could not be further from the truth. All companies which took part knew exactly what the programmes were about.

Richard Reiss, executive producer of the series, wrote to your correspondent, Kate Butten, stating that a detailed letter was sent to each company prior to filming to guard against any possible misunderstanding. The letter was clear and unequivocal and included the sentence: "I should like to confirm that the point of this series is for Sir John Harvey-Jones to discuss the problems and solutions openly and honestly. It may well be that some of his suggestions prove unwelcome. He could cover any area and be critical or suggest changes to methods, people and management."

David Pich,  
head BBC science & features,  
BBC Television,  
Television Centre,  
Wood Lane,  
London W12 7RJ

### Maastricht: A 'Perot factor' strikes a chord in Europe

From Mr Peter Scott-Hansen.  
Sir, Murray for the Danes - Eurobureaucrats beware! The Danish rejection of Maastricht is Europe's "Perot factor" come to life. And the Rio "Summit" - chapter two. The American columnist George Will referred in a recent piece to the new fad of Eco-pessimism as the "socialist dream - ascetic lives, closely regulated by the vanguard of bossy visionaries - dressed up as compassion for the planet".

Why not let the successful forces of economic pragmatism continue as the magnet for European consolidation, and deny the self-serving "bureaucrats" their grab at power and tax distortions. Too hasty a centralised social agenda without solid popular support can lead to Yugoslavia on a grand scale.

Peter Scott-Hansen,  
100 First Stamford Pl,  
Stamford CT, US

From Mr Christopher Lowe.  
Sir, I observed with interest both the run-up to the Danish referendum and the reaction to the result, with the final vote being 50.7 per cent against ratification of Maastricht.

Notwithstanding the exit polls, which indicated a last-minute swing to a yes vote, the result did not come as a major surprise to me, as during the short period before the referendum the reaction to the Vote Yes campaign was either indif-

ference at best and in some cases open hostility. Scaremongering was used by both camps, with forecasts of large job losses predicted by Uffe Ellemann-Jensen, the foreign minister, if the vote was no, and an invasion of Danish summer houses by other nationals (in particular Germans) if the vote was yes. The details of Maastricht were on the whole left out of the arguments, and in the end the vote appears to have been made on the basis of gut reaction by the Danish people.

Last weekend at my local cinema, the advertisement for the yes vote was greeted with loud derision. It showed a young couple holding hands, the boy having the Union Jack on his back and the girl with the Danish flag. It may come as no surprise that the film was "Basic Instinct".

Christopher Lowe,  
Godthåbsvej 17,  
DK-2000 Frederiksberg,  
Copenhagen, Denmark

### Equity share a pragmatic solution for borrowers

From Simon Randall.  
Sir, Your leader, "The next step in housing" (June 2), implies that the improvement in repossession trends in the first few months of the year owes much to the direct payments of mortgage interest for income recipients and the counselling and renegotiation for borrowers in arrears.

While one cannot underestimate the importance of financial advice to home owners experiencing mortgage difficulties, in real terms the option of

renegotiating a mortgage in such a way that it would have a discernible effect on reducing monthly payments is limited. Any notion that borrowers are "reluctant to rejoin the tenantry" is completely unfounded. An increasingly significant number of borrowers in arrears see equity-share as the only pragmatic solution which allows them to retain their home without undue financial hardship.

Quite apart from this, lending institutions would be short-

### Possibly a coincidence

From Prof Gerald Mars.  
Sir, Could the present talk about a government bail out of Lloyd's Names have anything to do with the fact that bankrupts cannot serve as MPs? At least 30 Tory MPs are likely to become bankrupt and, as far as I recall, the government's majority is only 21.

Gerald Mars,  
33 Nassington Road,  
London NW3 2TY

### BBC is good value at twice the price

From Mr Vincent Sinclair.  
Sir, Like most of the public services dear to our hearts, the BBC is hopelessly underfunded, as illustrated by Christopher Dunkley ("Spitting contest for grown men", May 27). Compared with the potential cost of viewing football on satellite, the licence fee is peanuts. We should be thankful for the standard the BBC maintains on our behalf for such a meagre annual contribution. What are the government's intentions in constantly undermining the BBC's capacity to produce? I doubt if they reflect the views of the population. The BBC is a bargain but the corporation as we know it is under progressive threat. It should be left alone. Double the licence fee and it would still be good value.

Vincent Sinclair,  
Worth Corner,  
Crawley, West Sussex

## OBSERVER

### What makes a governor

Where will the British government's new policy of open-ness end? To judge by the spate of advertisements for such politically sensitive posts as chairman of the Monopolies and Mergers Commission and Director of Public Prosecutions, Prime Minister Major's team seems determined to give everyone a shot at the top jobs.

Or is it? Even Observer has to admit that the line between cosy appointments and open competition has to be drawn somewhere. Advertising in the press for a new boss of M15 or M16 might attract the wrong sort of candidate. But surely a case could be made for advertising senior posts in the civil service or the governorship of the Bank of England?

Given that Robin Leigh-Pemberton will step down as Governor next year and should collect the traditional peerage, there should be lots of interest in his job. However, the authorities seem shy, to say the least, about whether they intend to advertise for his successor in the press.

Part of the problem is that any job-description for the governorship would almost certainly infringe either the Sex Discrimination Act, if not both, and could hardly fail to upset the Equal Opportunities Commission.

For a start, the candidate would have to be good at nods and winks and be generously endowed with that mysterious City quality, "bottom". An ability to be either totally subservient to the Treasury or completely independent, on demand, would be useful. A further must could well

### On the rocks

Poor British tourists! They had precious little hope of beating the Germans to the softest and sunniest basking spots before. But now the Thomas Cook holiday group has gone to them as well, the Brits might as well throw in the beach towel altogether.

### Enigma

Advertising agency Saatchi and Saatchi is never averse to a bit of publicity, even though it has recently been in the news almost as much for the financial crises of its parent group as for its advertising achievements.

But can the British Conservative Party's favourite ad agency really be considering taking on the campaign of the enigmatic H. Ross Perot, the as-yet undeclared candidate for the US presidency? There are strong and growing rumours that Saatchi and Saatchi has been approached by the gung-ho Perot.

The selectively press-shy Maurice Saatchi restricted himself to a brief "no comment" - which isn't necessarily the same as "not true".

### Swiss courage

Switzerland's reputation for security and stability has taken knocks lately. But Zurich Insurance, one of the biggest of its kind in Europe, wants to leave no doubt about its continuing strength. Asked how it would shape up to the most damaging sequence of disasters



imaginable, chief executive Rolf Hüppi was put with the answer. The worst he could think of, he replied, was the California coast sliding into the ocean followed by a massive earthquake in Tokyo, a hurricane sweeping up the US eastern seaboard, and torrential rains swamping western Europe.

"Then we would finish," he said...but hastily added: "I don't think it would kill us."

### Counterblast

The Silent Service found its tongue with a vengeance yesterday, waxing indignant about accounts of how its submarine HMS Opportune got dented in a fog-shrouded collision with a Panamanian-flagged merchant vessel.

Opportune did nothing inopportune, the Royal Navy roared. She was barely moving when struck by the merchantman Radnes, whose captain and crew are being questioned by a department of transport inspector. According to the RN, the submarine was sailing

cautiously on the surface when its radar showed the other ship approaching through the fog at about 15 knots. Opportune took evasive action and was virtually stationary with engines full astern at the moment of collision.

"An exchange of views took place by radio," a spokesman added.

### Old pals

What does John Butterfill, who has just missed becoming chairman of the Tory European Affairs committee, have in common with new Treasury minister Anthony Nelson and Jonathan Aitken, now a junior minister at defence?

It seems the 51-year-old Butterfill, too, was a protégé of erstwhile tycoon Jim Slater, whose Slater Walker empire collapsed in the 1970s. A chartered surveyor, Butterfill used to be managing director of St Paul's Securities, one of Slater Walker's many property vehicles.

Although former Welsh secretary Peter Walker and Sir Peter Morrison, Mrs Thatcher's parliamentary private secretary, are no longer MPs, 63-year-old Slater still must have more old pals in Parliament than many businessmen of his generation. A bottle of mail for the most comprehensive list of MPs who got their business training in the Slater Walker empire.

### Forked tongue

The warning "Beware of Greeks bearing gifts" has been given an equivalent for England by the latest ABC Guide to International Travel. Beware of English saying "With the greatest respect..." it cautions. What they mean is: "I am about to humiliate you publicly."

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## INTERNATIONAL COMPANIES AND FINANCE

## Wellcome seeks early bids in £4bn global share offer

By Maggie Urry in London

INVESTORS bidding for shares in Wellcome, the UK pharmaceuticals company, will receive more favourable treatment in next month's £4bn (\$7.24bn) global sale if they put their bids in early and do not indulge in "market activity" that might depress the share price, Robert Fleming, the global co-ordinator for the sale, said yesterday.

The outline of the tender offer - under which the Wellcome Trust, the medical charity, will reduce its stake in the group by between 202m and 417m shares - was announced yesterday.

Following the announcement, Wellcome shares slipped 5p to 565p.

The filing of the "pink berling" prospectus, so-called because it omits more of the final details of the sale than is usual, allows the group to begin the process of familiarising international investors with the group's business.

Wellcome, which went public

in 1986, is not a well-known company outside of the UK, although its drugs - notably Retrovir, its controversial AIDS treatment - are famous.

As the trust still owns 73.6 per cent of the equity, dealing in the shares has been difficult. Only 2 per cent of the shares are held in the US, the most important market for the company's products.

Mr Roger Gibbs, chairman of the trust, said that every £1bn raised in the sale would provide the trust about £35m extra each year to allocate to medical research.

Mr Lawrence Banks, head of corporate finance at Fleming, said the structure of the sale was designed to maximise the proceeds to the trust and to produce an orderly after-market for the shares.

The final size and price of the offer will be determined by bids made by investors to the issue's managers in eight regional syndicates.

The offer follows the US style of a book-building sale, which is expected to give the

trust a higher price for its shares than would a UK-style offering. The issue will not be underwritten, meaning that fees will be higher than a UK issue but the discount to the market price should be significantly lower.

An offering circular, giving a provisional size of the sale, will be published on June 25, marking the beginning of the marketing campaign.

The tender period starts on July 8, but bids will only become firm at the closing date two or three weeks later.

Pricing is expected to take place overnight or over a weekend so that investors do not carry any significant market risk.

Investors will be competing on equal terms with all the shares sold at the same price.

Bidders must disclose the identity of investors on whose behalf they are acting, and the trust has promised the company it will not allow any one investor to hold over 10 per cent of the shares following the sale.

## Euro Disney pushes back theme park's second phase

By Alice Rawthorn in Paris

EURO DISNEY, which seven weeks ago opened its new Euro Disneyland theme park outside Paris as Europe's most expensive leisure complex, is postponing the opening of the second phase of the park for a year until 1996 and is developing plans to try to improve attendance levels.

The group is reverting to its original plan to open the park's second phase in 1996 for "technical reasons". A year ago it decided to bring the opening forward.

Euro Disney, which has been dogged by unconfirmed rumours of poor attendance since the opening, made an operating loss of FF80,000 (\$14,732) on sales of FF3.07bn (\$514,732) in the six months to March 31. It said yesterday that "because of operational uncertainties" it could not say whether it would become profitable in the present financial year.

Euro Disney refused to disclose specific budgets or attendance targets before the theme park's opening on April 12.

However, the company yesterday confirmed that more than 1.5m people have visited the park since the opening night. Euro Disney would not say whether this level of attendance conformed with its original expectations. It said it "needed a full year of operation" before any reasonable assessment of its performance could be made.

In a downbeat statement Euro Disney said that attendance at the park, and the occupancy of its hotels, had "fluctuated considerably".

Euro Disney noted that attendance during the weekends and holidays had "significantly exceeded" mid-week levels. It also claimed that prospective French visitors had been deterred by "misleading reports of traffic jams and over-crowding".

Euro Disney, which last weekend ran a lavish series of special advertising supplements in the European press, is considering plans to increase attendance in off-peak periods, during the week and from within France.

## Czech deal with clear attractions

Anthony Robinson on Glaverbel's glass-making venture with Sklo Union

GLAVERBEL, the Belgian-based glass company controlled by Asahi Glass of Japan, is pleased with its pioneering decision in 1990 to invest in a joint venture with Sklo Union, Czechoslovakia's largest glass company. The move has given it a significant advantage in the highly competitive European glass market.

Since Glaverbel's decision to invest an initial \$48m in a 40 per cent stake in the joint venture - known as Glavunion - more than 1,500 workers have been shed from the original workforce of 4,500. Over the same period, production of plate, vehicle and mirror glass has risen by over 25 per cent.

Exports to western markets, which already accounted for 40 per cent of Sklo Union's sales before the joint venture, have risen to 65 per cent. Production from Glavunion's plants in Teplice, northern Bohemia, has found new outlets through Glaverbel's existing European sales network.

In addition, sales into the depressed domestic market have also been revitalised through the establishment of a new privatised retail and distribution network with 14 outlets across the republic.

Glavunion's energy, raw material and labour costs are all "significantly" lower than in Glaverbel's west European plants and those of its main rivals - St Gobain of France,

Pilkington of the UK and Guardian Glass of the US, according to Mr Stepan Popovic, managing director of the joint venture. These factors, and Teplice's location only 60km from Dresden, are clear advantages in supplying the booming construction market in eastern Germany.

Specific German investments in Czechoslovakia, such as Volkswagen's plans to expand production at Skoda, the Czechoslovak carmaker, have also prompted Glaverbel to boost output of vehicle glass.

The company currently delivers 200,000 glass sets a year to VW-Skoda and expects to double this within two to three years. At the same time, Glavunion recently elbowed aside St Gobain to win what Mr Popovic would only describe as a contract "to supply a substantial and rising volume" of vehicle glass to Fiat in Italy.

The experience of Glavunion reflects the attraction of Czechoslovakia as a relatively cheap and efficient production base for sales to European Community markets. Provided this weekend's general elections offer a reasonable chance of continuing political stability, foreign investment bankers and advisers there believe several billion dollars of foreign investment is forthcoming.

Encouraged by early signs of progress, Glaverbel decided to speed up its original investment timetable. It raised its stake from 40 to 51 per cent last July, and paid another \$32.4m to raise its shareholding to 67 per cent on June 1, bringing its total equity investment to \$80.4m.

Four per cent of Glavunion's shares are reserved for employees, while the remaining 29 per cent shares are held by Sklo Union, still a 100 per cent state-owned enterprise.

This will change shortly, however, as 61.5 per cent of the shares in Sklo Union have been submitted for the "first wave" of the mass privatisation scheme under which shares in 900 Czech and Slovak enterprises will be available for purchase through special vouchers. These have been taken up by 8.5m Czech and Slovak citizens.

Along with other Czech banks and enterprises, Sklo Union and Glavunion decided to set up their own investment fund in a 50-50 joint venture with a private entrepreneur. The fund, called First Privatisation Fund, attracted 117,000 voucher booklets from individuals willing to leave investment decisions to the fund managers. The fund will invest the vouchers in some 70 companies, including Sklo Union.

Glavunion's emergence as the jewel in the Sklo Union crown has left Czech senior management full of praise for

Glaverbel's managerial style.

Contrary to earlier fears, the company was able to shed 1,500 workers without strikes or protests. "We closed down one old fashioned sheet glass plant employing 300; privatised our wooden box manufacture, transport and maintenance divisions; and asked for voluntary retirements. But those who were made redundant have found jobs in the fast-growing private sector," said Mr Popovic.

For those who remain, pay and conditions have improved. The head office currently reverberates with the sound of pneumatic drills as workers rebuild the building's toilets. "In a way the dirty, stinking toilets symbolised the basic contempt for people under the old communist regime. I vowed that one of our priorities would be to make decent toilets both in the offices and the plant."

The biggest problem inherited from the old regime, according to Mr Popovic, is the difficulty of finding bright people capable of thinking in a market-oriented way. "We have just employed two plant directors in their early 30s, and in future will only take on people straight from university. We will send them to gain experience at Glaverbel plants in Benelux and Canada and only then will we set them to work here."

## Ahold shows 11.5% advance

By Ronald van de Krol in Amsterdam

AHOLD, the Dutch food retailer which generates about half of its sales in the US, said net profit had risen by 11.5 per cent to F155.1m (\$47.2m) in the first quarter of 1992.

Operating profit showed a significantly stronger rise than net profit, increasing 26.7 per cent to F146.5m.

Growth in net profit was held back by a sharp increase in financing charges, reflecting Ahold's acquisition last year of Tops Markets, the New York-based supermarket chain.

Financial charges nearly tripled to F134.4m from F112.2m in the same period a year earlier.

Last month, Ahold reported that first-quarter sales had surged by 22.1 per cent to F16.7bn, boosted partly by the contribution of Tops, the Dutch company's fourth supermarket chain in the eastern part of the US.

In the first quarter, the US chains BULO and Giant Food Stores had produced "satisfactory" sales rises, Ahold said. However, the First National chain, with outlets in the recession-ridden New England states, saw only a slight rise in sales.

Operating profit rose by 6.9 per cent in the Netherlands, where Ahold owns the Albert Heijn supermarket chain, the market leader.

In the US, operating profits jumped by 40.3 per cent after the first-time consolidation of Tops. Excluding Ahold's latest acquisition, US operating profit was up 8.6 per cent in the first quarter.

Ahold, which released the profit figures after the close of stock market trading, repeated earlier predictions that full-year results would show further growth.

VNU, the largest publisher of consumer magazines in the Netherlands and Belgium, has taken a 51 per cent stake in

Mona, the biggest publisher of women's magazines in Czechoslovakia.

The company also acquired an option to buy the rest of the shares in 1993. No terms were given.

Mona, based in Prague, publishes four women's magazines including Vlasta, the Czechoslovak market leader with a circulation of 400,000.

The three other magazines have circulations ranging from 80,000 to 300,000 copies.

VNU, which is based in the Netherlands, is concentrating its eastern European expansion on Russia, Hungary and Czechoslovakia.

In November, VNU entered a joint venture with ILK, a Hungarian publisher, in the field of crossword puzzle magazines and magazines aimed at teenage girls.

VNU was also involved in the establishment of two English-language titles in Russia - Moscow Magazine and Moscow Guardian.

## Baltica parent down sharply

By Hilary Barnes in Copenhagen

BALTICA Holding, parent company to Denmark's biggest insurance group, has blamed a reduction in capital gains on securities for a dramatic slide in first-quarter profit. Results were down to DKr27m (\$3.3m), compared with DKr564m in the same period last year.

Shareholders' equity fell from DKr9.69bn to DKr8.22bn, while total assets increased from DKr11.5bn to DKr12.4bn.

Capital gains on the securities portfolio were down DKr500m. The group pointed out that there were substantial capital gains last year associ-

ated with the end of the Gulf war.

Insurance operations were satisfactory despite lower investment income, but the group was forced to increase loss provisions on property and construction engagements.

Developments in the property and construction markets may badly affect results for the full year.

Talks between the German cartel office and Dresdner Bank and the insurance group Allianz Holding about the legality of their co-operation pact ended without progress, Reuters reports from Berlin.

"Further talks will be necessary - if needed, separately

### COMPANY NEWS IN BRIEF

with the individual companies," the cartel office said. The office maintains a co-operation pact between the bank and the insurer breaches cartel regulations.

Kaufhof, the German retailer, said group sales in the first five months of 1992 reached DM7.3bn (\$4.4bn), 10 per cent higher than in the previous corresponding term, AP-DJ reports from Cologne.

Mr Jens Odewald, chairman, said the company believed this year it would achieve "double-digit" sales growth. He also said he expected profits to grow at an even faster rate than sales, as in 1991. He said he was "not dissatisfied" with the five-month result.

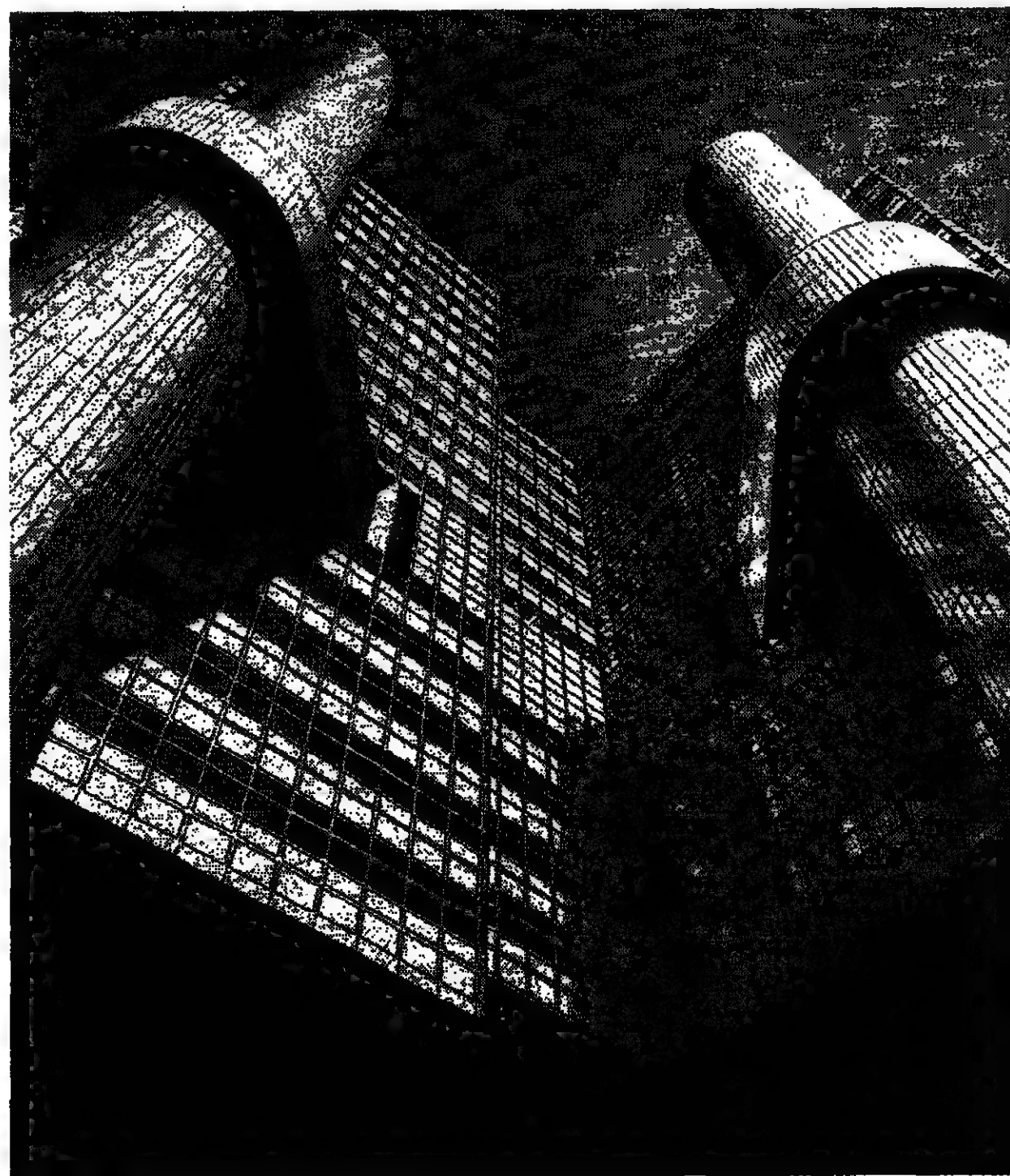
The company said earnings per share, according to the German Association of Financial Analysts (OVFA) formula, which excludes extraordinary items and allocations to a company's reserves, rose 32 per cent in 1991, to DM23.82.

Ciments Français will bid to buy some of 11 state-run cement plants on offer by the Turkish Privatisation Office (KOT), according to Set Group Holding, the French group's Turkish subsidiary, Reuters reports from Istanbul.

KOT plans to raise TL2,500bn (\$988.8m) from the privatisation of the state cement firms. It will open tenders for the plants at the end of next month. The plants have total capacity of 5m tonnes.

## HYPO-BANK

# TOP RESULTS IN 1991



Bayerische Hypotheken- und Wechsel-Bank again posted outstanding results in 1991. Group assets advanced by 10.6% to DM 193 billion while group operating profits surged 27% from DM 1.075 billion to DM 1.365 billion.

Total assets of the parent bank went up 7.8% to DM 134.2 billion. Operating profits at DM 1.170 billion surpassed the record level set a year earlier by 22.6%. HYPO-BANK AG is maintaining its 26% dividend to shareholders.

In 1991, HYPO-BANK again made substantial progress in broadening its investment management and building finance capabilities in Germany and abroad. Hypo Capital Management, Bankhaus Maffei, Foreign & Colonial (London) and Anlage- und Kreditbank (Zurich) all strengthened their service capacity. Domestic and international investment funds, a growing business of HYPO-BANK, also performed well.

### Highlights of our consolidated Balance Sheet for 1991 in million DM

<b>Total assets</b>	<b>193,102</b>
(Total assets parent company)	(134,210)
<b>Total loans</b>	<b>152,108</b>
General banking.	(55,735)
Mortgage banking	(96,373)
<b>Total deposits and long-term liabilities</b>	<b>182,297</b>
General banking	(86,815)
Mortgage banking	(95,482)
<b>Shareholders' equity</b>	<b>5,885</b>

Despite the recession in the U.K., the real estate activities of the London branch expanded, as did residential property lending of the London-based subsidiary MSL. In view of the equally difficult situation in the US real-estate market our New York branch limited itself to the extremely selective financing of office and commercial property.

Hypobank International S.A., Luxembourg, celebrated its 20th year by recording especially good results. Fueled by brisk credit demand, total assets rose by DM 1.8 billion to DM 10.1 billion.

Results achieved so far in 1992 and our projections for the year point to another rewarding performance for HYPO-BANK and its shareholders. For further information and your copy of our 1991 Annual Report, please contact us at Theatinerstr. 11, D-8000 Munich 2, Germany, Tel.: (89) 9244-4340.



Your need is our challenge



## IBM sets up offshoots to compete with PC clones

By Michio Matsuno in London and Louise Kehoe in San Francisco

IBM has set up independent, wholly-owned subsidiaries in the UK and Canada to sell low-cost personal computers that will compete directly with cheap clones.

The new UK company, Individual Computer Products International, will market a range of PCs under the Ambrus brand name to target the low end of the European market.

The Canadian subsidiary, SuperComp Services, will also offer the Ambrus PC products. UK prices will start under \$1,000 (\$1,800) while in Canada Ambrus PCs bundled with several software programs will sell for \$1,500 (\$2,500). The first Ambrus products will go on sale in the UK today. In Canada, Ambrus will make its debut in August.

The move reflects IBM's new willingness to break with past practices and give its business units greater freedom to use innovative approaches to increasing sales. "Today's announcement is another step

in our transformation to a federation of focused business units," said Mr Bill Etherington, president and chief executive of IBM Canada.

Through the new units, IBM aims to gain entry to highly price-sensitive segments of the PC market in which its own brand name products cannot compete.

IBM is addressing this market on a country-by-country basis as PC prices, distribution channels and buying patterns vary widely in different parts of the world.

In the US, where PC clones are selling for well under \$1,000 through computer superstores, IBM may take a different approach. One option said to be under consideration is to acquire an equity stake in an existing clone manufacturer.

Many leading participants in the computer industry, including IBM, have seen their PC market shares fall over the years in the face of fierce competition from manufacturers of cheap clones.

"IBM saw a market place segment that had grown to significance in which they did not

participate," said Mr Bill McCracken, general manager of IBM Europe Personal Systems Business Unit, the parent company contact for the new subsidiary. "We want to be in that market place."

In Europe, the bottom end of the market has been growing at about 45 per cent compared with 21 per cent forecast for the entire computer market.

Rather than try to compete by launching a series of clones itself, IBM, which already has a joint venture clone company in South East Asia, decided it needed a separate company that would have the flexibility of a smaller organisation and the benefits of a fresh corporate image.

Ambrus products will be made in Asia by an unnamed third party supplier. They will use 386 microprocessors manufactured by Advanced Micro Devices, breaking with IBM's own close ties with Intel, the leading microprocessor-maker.

The Ambrus products will not be handled by IBM's own sales force, but will be sold through dealers, retailers and direct response.

## Revealed: The secret life of O&Y

The newly-appointed information officer speaks to Bernard Simon

A NONDESCRIPT office on the 26th floor of Toronto's Exchange Tower shows just how much life has changed at Olympia & York in the past three months. Furnished with a few library-type tables, a large photocopier and a row of bulky filing cabinets, the room is one of three O&Y "information offices", where creditors of the once-secure developer can now pore over its most sensitive financial data.

The information offices - the other two are in New York and London - are part of a two-pronged effort by O&Y to win the confidence of banks and other lenders as it seeks to reschedule its C\$13.5bn (US\$11.3bn) debt.

The other leg of O&Y's belated willingness to open its books is the appointment of Mr Bernard Simon, a partner at Price Waterhouse in Toronto, as "information officer", to liaise between the company and its creditors.

Mr Wilson's position is unique in a corporate restructuring. However, it reflects creditors' concern in the early days of O&Y's troubles that the developer was reluctant to change its secretive ways.

Several lenders complained after their first meeting with the company on April 13 that information contained in their briefing books was sketchy and out of date.

The job went to Mr Wilson, an avuncular 49-year-old accountant, partly because of his own expertise in corporate restructurings, and partly because Price Waterhouse has worked as O&Y's auditors for the past 11 years. "We can still use our knowledge of the company and its people," Mr Wilson says.

O&Y will not tell the bill for Mr Wilson's fees, which he

declines to disclose, beyond insisting they will not be a large part of the restructuring expenses.

The information officer's job was created under the same May 14 court order which gave O&Y protection from its creditors under Canada's Companies Creditors Arrangements Act. His role has been clarified in subsequent court rulings.

Mr Wilson thus has jurisdiction only over data pertaining to the parent company, Olympia & York Developments, and its Canadian assets, which together account for about two-thirds of the company's total debt. He can demand information on O&Y's US buildings or Canary Wharf only insofar as their affairs are relevant to creditors of the parent company.

Mr Wilson says he and his team have so far fielded about

50 requests for information.

Although O&Y's secrecy has been stripped away, he still has to contend with the fact that the Reichmann family firm has never had an internal reporting system geared to inquisitive outsiders. Unlike public companies, for instance, O&Y's financial managers have not been accustomed to compiling monthly reports for directors' meetings.

Price Waterhouse is only now completing its audit of O&Y's books for the year to January 31, 1992. The figures should be available by the last week of June.

Mr Wilson hopes to be able to answer many of the enquiries by referring questions to the information rooms. Documents now available there include O&Y's debt agreements, its land and tenant leases, and appraisals of its

properties. However, visitors to the rooms require either Mr Wilson's or the company's permission, and are required to sign confidentiality agreements.

Mr Wilson's job will also be made easier with the setting-up of about half a dozen creditor committees, representing O&Y's 91 bank lenders as well as dozens of holders of publicly-traded securities.

Reports to these committees will probably be synchronised with the monthly reports which Mr Wilson will draw up on O&Y's receipts and disbursements.

The first report is due on June 15. It will not only give a clue to the company's financial condition since its troubles surfaced, but will also enable creditors to compare actual performance with the projections which O&Y gave Mr Wilson last month.

## Unusual use of flexible legislation

By Andrew Jack

THE CANADIAN courts took an unprecedented step by appointing Mr Bernard Wilson as "information officer" when Olympia & York filed for protection from its creditors under the Companies' Creditors Arrangement Act.

No previous example of this post exists, but the legislation under which he was appointed is extremely flexible.

The Act was passed in 1933 and proved popular during the Depression. It then fell into disuse, but has seen a resurgence during the last few years. It runs to only a few sections in the law books and has left the courts considerable discretion in how to operate the procedure.

Mr Wilson's appointment is one example of this flexibility, and comes as a direct response to complaints from creditors to O&Y about lack of sufficient, up-to-date financial information.

The CCAA restructuring allows O&Y's management to remain in charge of the company as the "debtor in possession". Creditors are subdivided into a series of different voting classes, and a negotiating process with them begins under court supervision.

Once the debtor has drawn up a reorganization plan, it must be approved by three-quarters of the creditors by value in each class. The original CCAA petition granted the management until July 13 to file their plan with the court, and a further 90 days to gain creditors' approval - although these dates are likely to be extended.

The plan needs to be approved by the court, which decides whether all statutory conditions have been met.

### Olympia & York - Debt Collateralised by Securities at June 3 (\$000)

Debt Holder	Loan Principal	Market Value Securities	Surplus (Deficiency)	Loan to Value Ratio
Bank of Montreal	C\$ 105,000	132,761	27,761	\$1.28
Canada Trustco	C\$ 100,000	104,281	4,281	\$1.04
Eurocredit	C\$ 100,000	94,075	(15,925)	\$0.94
Bond issue	US\$ 250,075	338,230	88,155	\$1.35
Bank of Nova Scotia	C\$ 1,250,000	277,182	(972,818)	\$0.22
Credit Lyonnais	C\$ 1,500,826	980,451	(520,375)	\$0.65
Syndicate Hong Kong & Shanghai Bank	US\$ 750,000	588,270	(161,730)	\$0.78
Royal Bank	US\$ 500,375	250,000	(250,375)	\$0.50
Dei-Ichi Kangyo Bank	US\$ 300,125	198,090	(102,035)	\$0.66
Syndicate Citibank	US\$ 500,000	172,551	(327,449)	\$0.35
Syndicate Other	C\$ 600,250	573,122	(27,128)	\$0.95
Total Olympia & York	C\$ 4,711,252	3,408,882	(1,302,370)	\$0.72

Source: William MacIntyre, Toronto

## May sales improve for top US retailers

By Martin Dickson in New York

MANY leading US retailing groups yesterday reported improved sales figures for May, despite unseasonably cold weather, adding fresh evidence of slowing improving consumer confidence and economic recovery.

Wal-Mart, the rapidly-expanding discount chain which is now the largest retailer in the US, reported a 12 per cent rise in same-store revenues compared with May 1991. With its new outlets added to the total, sales shot up 27 per cent to \$4.4bn.

Rival discount store K mart reported a 1.8 per cent increase in comparable store sales and an overall rise of 8.7 per cent to \$2.5bn.

Mr Joseph Antonini, chief executive, said: "The gain was achieved despite colder-than-normal weather that adversely affected a number of important K mart discount store spring businesses, most notably

apparel and our outdoor garden shop."

However, J.C. Penney, the department store and catalogue group, reported a sharp advance in clothing sales throughout the US as it reported an 8.8 per cent increase in comparable store sales, and an overall increase of 9.8 per cent, to \$6.2bn.

Sears, Roebuck, the Chicago-based store and catalogue group, produced a 0.3 per cent increase in like-for-like sales and a 1.1 per cent increase in total sales, to \$1.7bn.

Mr said there were increases in major appliances, home office equipment and furniture, "continuing the trend started in January and indicating improving confidence in the economic recovery as consumers undertake major purchases."

But it added that the weather meant large sales declines in seasonal products, such as lawn and garden equipment, air conditioners and some clothing lines.

## GM to sell GMFanuc stake to partner

By Martin Dickson in New York

GENERAL MOTORS is selling its 50 per cent stake in GMFanuc Robotics to Fanuc, the large Japanese robotics company which is its partner in the 10-year-old joint venture.

The deal is the latest example of GM's new strategy of disposing of peripheral businesses to concentrate on turning around its heavily loss-making North American automotive operations.

Fanuc said it would be making a cash payment to GM but gave no details. GMFanuc, which supplies GM and other industrial companies with robotic systems for painting, welding and other manufacturing techniques, had sales last year of over \$250m.

It was established in 1982 at a time when Fanuc had little manufacturing presence in the US and when GM was anxious to bring robotics technology to its plants.

Fanuc now has several businesses in the US, including a joint venture with General Electric which produces controllers for machine tools.

GMFanuc's present management will remain in place and the company, which employs some 670 people, will continue to operate its sales, engineering and assembly facilities in Auburn Hills, Michigan.

Mr William Hoglund, GM's chief financial officer, said the company intended to "maintain our important relationship with GMFanuc as a GM supplier of plant automation". The sale is expected to be completed later this year.

In April, GM put up for sale its Allison gas turbine division, which employs 6,800 people and makes turbine engines for the aerospace, industrial and marine markets.

## Hong Kong telecoms accord raises profit doubts

By Simon Heibertson in Hong Kong

THE HONG KONG government's new regulatory agreement with Hongkong Telecom, which has left the company worse off, according to analysts in the colony. They say the accord has failed to remove uncertainty over future regulation of its key international telecoms business.

The measures announced this week could open Hong Kong's domestic telecoms market to increased competition after 1995.

The two parties agreed to change from profit control of domestic business to "incentive regulation", by applying an "inflation minus 4 per cent" formula to domestic pricing of services.

However, an agreement by Hongkong Telecom to cut its international telecoms rates by

12 per cent over three years has captured the Hong Kong stock market's imagination.

The price reduction in the first year will be 8 per cent, followed by a 2 per cent cut in prices in each of the following two years.

These changes are unlikely to come into effect until early next year because laws must be amended first. The delay

may insulate this year's earnings, but further on it will have a negative impact.

"The company is in for a period of much slower earnings growth," said Mr Andrew Harrington, a member of Salomon Brothers' global telecoms team. "It is difficult to see this company going anywhere, in share price terms relative to the Hong Kong market, for the next couple of years."

He said the government's statement that it would look again at Hongkong Telecom's international pricing in three years meant there was still uncertainty over the company's share price.

This was denied by the company. Mr John Tunno, finance director, said the company believed any uncertainty over regulation was now out of the way. He did, however, agree that Hongkong Telecom's profits would be hit.

"There is no secret that the international side [of the business] has been the engine of growth," he said. "There will be an adverse impact on profitability."

Just how adverse will depend on what happens to the growth in international telecoms usage as a result of the price cuts. This hinges on the elasticity of demand.

The problem with Hongkong

Telecom is that it is already one of the world's cheapest carriers. So although in the US and Europe there might be big volume gains from price cuts in Hong Kong, those gains might be smaller and take a longer time to show through.

The accompanying chart gives three scenarios showing the effect of faster or slower growth in volumes as a result of the price cuts. It assumes the price reductions will not be introduced until next April.

The company will, however, have the freedom to target its price reductions, as long as it achieves an overall 12 per cent cut over three years.

Although the company's exclusive franchise to provide international voice telephony is secure until 2006, the government has signalled it is to seek further ways in which other operators can be allowed in to that market without breaching the terms of the franchise.

## USAir gains concessions worth \$55m from pilots

By Nikki Tait in New York

USAIR, the ailing US airline whose losses have topped \$750m after tax during the past two years, said it had secured wage concessions worth \$55m from its pilots over the next 12 months.

The carrier added that when a new four-year contract agreed with the Air Line Pilots Association is fully implemented, annual savings should total \$10m.

USAir is among the most financially-fragile carriers in the US, although it has stayed out of bankruptcy. Last autumn, it announced a plan designed to cut operating costs by over \$400m.

This involved progressive salary reductions for non-union employees when at least one of its three big unions agreed to do the same - a condition fulfilled by the ALPA agreement. USAir executives agreed to take salary reductions with effect from January 1, regardless of union actions.

The cost-savings, however, come at a price for the US airline industry remain bleak, with few analysts expecting it to show a profit this year. The latest round of domestic fare competition has been intense, with travel agents reporting computer "crashes" as travellers scramble to secure cheap fares before these expire.

## JAL unveils plan to increase revenues

By Stefan Wagstyl in Tokyo

JAPAN Air Lines, the Japanese international carrier which last month announced a loss for the year to the end of March, yesterday unveiled a cost-cutting and revenue-boosting programme.

By increasing income from domestic operations, JAL hopes by the 1996-97 financial year to increase net revenues by ¥100bn (\$782m) a year. It is planning a ¥25bn pre-tax profit in 1996-97.

The company, hit by the recession in the airline industry and the slowdown in the Japanese economy, is halving to 250 the number of employees it plans to recruit in Japan next year.

JAL is scrapping plans to

hire 900 extra ground staff, the number of managers will be cut by 50 to 500 and around 30 overseas posts will be axed. However, the airline intends to continue hiring cockpit crew.

Overall, employment will still rise, albeit more slowly than planned - from 22,100 now to 23,500 in 1996. Other proposals include transferring some administrative and maintenance work overseas.

At the same time, JAL plans to increase its share in the lucrative Japanese domestic market from 24 per cent to around one-third. It wants domestic revenues to increase from 24 per cent to 30 per cent of total revenues and intends to expand its network and to increase the frequency of flights.

## Fuji Photo earnings slip to ¥87bn at six months

By Emilio Terrazono in Tokyo

FUJI Photo Film, the Japanese photographic film-maker, suffered a 10.4 per cent decline in consolidated pre-tax profits to ¥87bn (\$681m) for the six months to April due to higher costs and increased competition.

Overall, sales rose 2.7 per cent to ¥563.5bn. Operating profits, however, declined 4.9 per cent to ¥84.2bn due to a 6.3 per cent rise in sales costs and a 19 per cent increase in research and development costs. After-tax profits fell 16.9 per cent to ¥40.2bn.

Fuji's non-operating profits plunged 67.8 per cent to ¥2.7bn as a result of a decline in interest and dividends received. For the full year to October, Fuji forecast a 13.5 per cent fall

in after-tax profits to ¥82bn on a 2 per cent rise in sales to ¥1.14bn.

On Du Pont Merck Pharmaceutical of the US and Banyu Pharmaceutical of Japan are to form a new company in Japan to develop and market Du Pont Merck products there, AP-DJ reports from Wilmington.

Officials of both companies said they expected to have the definitive agreements completed by the end of the year. Terms of the deal were not disclosed.

Du Pont Merck said: "Japan represents more than 20 per cent of the world market for pharmaceuticals. In order to achieve our vision of being a worldwide, research-based pharmaceutical company, we must participate in the Japanese market."

**GREEK EXPORTS S.A.**  
**INVITATION TO TENDER FOR THE HIGHEST BID**

In line with the Greek government's privatisation programme, the Corporation "GREEK EXPORTS S.A." with head office in Athens (17 Pseftiastis St.), legally represented in its capacity as liquidator, in accordance with article 46a of Law 1892/1990, supplemented by article 14 of Law 2000/1991.

**IS INVITING TENDERS**

for the highest bid with sealed and binding offers for the sale, in toto, of the Assets of the Company "THERMIS S.A." with head office in Athens, at 10 Ekmassitis St. (Ritiropolis) and engaged in the manufacture of central heating radiators and boilers, etc.

1. For this purpose, interested parties are invited to request the Offering Memorandum from the liquidator and submit a sealed, binding offer to the Athens notary responsible for the invitation to tender Mr. Sofia K. Douvri, 4 Theodorou St. Tel: 363.9493 up to 9/7/1992. The submission of offers must be made in person or by a legally appointed representative.

2. The offers will be unsealed before the above-mentioned notary on 13/7/1992 at 10.00 hours in the presence of the liquidator and all persons who have submitted offers within the prescribed time limit. Offers submitted after the prescribed time limit will not be accepted and will not be taken into account.

3. The sealed, binding offers must clearly indicate the offered price for the purchase, in toto, of the Company's assets and must be accompanied by a letter of guarantee from a Bank that is legally operating in Greece. The amount of the letter of guarantee should represent 10% of the final total offer.

In the event that the bidder to whom the Assets of the Company have been sold, does not abide by his obligation to appear and sign the relative sales contract within thirty (30) days from being invited to do so by the liquidator, and to carry out the obligations resulting from the present invitation, then the above-mentioned guarantee of 10% of the final offer is forfeited in favour of the liquidator "GREEK EXPORTS S.A." for the coverage of all expenses incurred and time spent, and any actual or hypothetical loss incurred, without any obligation to inform or give proof of these, or consider that it has been forfeited in its favour as a penalty clause and collect it from the guarantee bank.

Guarantees deposited for participation in the tender and representing 51% of the sale are returned to the other participants, after approval of the liquidator's evaluation report, and the adjudication, to the highest bidder from the creditors.

4. The highest bidder is the one whose offer has been so judged by the liquidator and approved by 51% of the creditors as being in their best interests.


5. The liquidator is in no way liable and has no obligation towards participants to the tender, either with respect to his evaluation report of the offers, which will submit to the creditors, or in regard to his proposal evaluating the highest bidder. Also, he is under no liability or obligation to those participating in the tender in the event of its cancellation or resumption, if the result is considered unfavourable by the creditors.

6. Those taking part in the tender and submitting offers do not acquire any right or claim, deriving from the present invitation or from the adjudication of the assets for sale to the highest bidder, against the liquidator and creditors for any reason.

7. Transfer of ownership expenses (taxes, stamp duty, notary and mortgage fees, and other expenses for drawing up topographic plans in accordance with Law 651/77 etc.) are payable by the buyer.

8. For further information, please apply to: a) The head office of ETBA S.A., Participation Department, 87 Syngrou Avenue, Athens, 2nd floor. Tel: (01) 929 4335 and 929 4396; and b) GREEK EXPORTS S.A., 17 Pseftiastis St., Athens, 1st floor. Tel: (01) 324 3111-115.

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## INTERNATIONAL COMPANIES AND CAPITAL MARKETS

# Egyptian bankers balk at fund levy for BCCI unit

By Tony Walker in Cairo

EGYPT this week initiated a \$300m bailout of the local subsidiary of the failed Bank of Credit and Commerce International, but bankers in Cairo have reacted testily to demands they foot part of the bill.

Dr Atef Sedki, the prime minister, announced in parliament that the government planned to re-float Bank of Credit of Commerce Egypt (BCE) with an interest-free loan, part of which would come from a levy on bank deposits. A number of banks have yielded to demands for the payment of one-quarter of 1 per cent of their deposits to what the central bank is describing as a "solidarity" fund to save BCE, but the general manager of a large joint venture bank said his institution had balked. "We are not running a charity," he declared.

Banks, which have reluctantly fallen into line, say they are still arguing with the central bank over how the "solidarity" payment should be classified. Mr Hazem Beblawi, chairman of Export Development Bank of Egypt, said he considered his bank's contribution "a refundable deposit" with the central bank.

BCCI activities were frozen last year after BCCI's collapse. The Egyptian subsidiary, 49 per cent owned by BCCI, had some \$375m of total deposits of \$600m with its parent. Egyptian shareholders held a 51

per cent stake in the bank.

The government has indicated that it plans to offer BCCI's stake for sale, but local bankers are sceptical about BCCI's recovery. One senior Egyptian banker said it was more likely that it would be taken over by an existing institution.



Dr Atef Sedki plans to re-float Bank of Credit and Commerce Egypt

Liquidators responsible for salvaging something from the BCCI wreckage - the bank collapsed owing \$14bn - say that depositors may receive a payment of 30 to 40 per cent of their funds.

The government's attempts to unravel the BCCI tangle coincides with parliament's approval this week of a new banking law that notionally strengthens the central bank's regulatory capabilities.

But the original draft has been considerably watered down, and bankers doubt that the central bank supervisory capabilities will be much changed by the new law. The central bank had argued for a stronger hand at a time when Egypt has entered a transition to a market-oriented economy in which local financial institutions are expected to play a more adventurous role.

The banking law's main features include provision for a new deposit insurance scheme and foreign currency branches of international banks will be empowered to deal in local currency as a further step towards bolstering the Egyptian pound's claims to be regarded as a freely convertible currency internationally.

Foreign currency branches would be obliged, however, to incorporate themselves as fully-fledged banks locally if they wish to extend their activities.

As one Egyptian official said: "Branches cannot open additional branches."

Mr Mohammed Hafez, chairman of Banque Misr, one of Egypt's "big four" public sector commercial banks, said it was hoped that the new banking law would help facilitate mergers and acquisitions among Egypt's banks, some of which have been struggling.

Bankers have long believed that Egypt is "overbanked", and that a reduction in the number of local financial institutions is desirable.

# Questions on Italian bids still unanswered

By Haig Simonian in Milan

CONSOB, Italy's stock market and companies watchdog, yesterday fleshed out some of the missing parts of the country's new laws on public share offerings and takeover bids for quoted companies, passed earlier this year.

However, many crucial questions, such as the detailed conditions for triggering a takeover bid and precisely how such a transaction would work, remained unanswered.

The continuing lack of such information has unsettled the Milan stock market. After a brief speculative burst based on hopes that the new rules, which are supposed to protect the rights of minority shareholders in quoted companies, could push up the values of some stocks, interest has once again dwindled.

Under the new rules, which went into effect in early March, ConsoB had a three-month limit to clarify information requirements for public share offerings - which it has now done.

However, details about takeover bids did not face the same deadline, and have still to be resolved. The new takeover law, passed in haste by Italy's outgoing legislature, has been criticised by brokers as imperfect and difficult to interpret. However, a ConsoB official yesterday could give no indication when the new rules might be clarified.

Stimint, the quoted clothing company controlled by financier Mr Francesco Micheli and designer Mr Giorgio Armani, is raising L60bn (\$45.8m) through a capital increase.

The step is designed to back an initiative last month to facilitate share purchases by US investors through a programme of American deposit receipts (ADRs). Stimint is issuing 4.77m ordinary shares and 14.44m preference shares.

The new stock, for which existing shareholders will not have buying rights, will be priced at a minimum of L4,600 for ordinary shares and L2,600 for preference shares.

# The rise and fall of Swiss junk bonds

A spate of UK defaults has spread fresh gloom, writes Ian Rodger

THE collapse of the junk bond market in Swiss francs, once one of the most active debt markets for high-risk companies, has been confirmed by a spate of defaults by UK companies, including the formal insolvency of the Mountleigh property group.

The market had already been in the doldrums for several months because of high interest rates and the weakness of the Swiss franc, but the latest round of British corporate collapses has spread fresh gloom.

The rise of the Swiss franc bond market for high-risk foreign companies was one of the stranger phenomena of the late 1980s. Until 1985, the Swiss corporate bond market had been one of the safest in the world, with a monopoly underwriting syndicate preventing all but the highest quality issues from being launched.

Then the Swiss National Bank indicated that it would allow non-Swiss banks to form underwriting syndicates, and the Geneva-based Soditic, then an affiliate, now a subsidiary, of S.G. Warburg, the UK merchant bank, rushed in.

Over the next few years, Soditic brought a surprisingly large number of foreign companies to the Swiss market, including some, such as Mountleigh, Polly Peck and Bond Corporation of Australia, of obviously speculative quality.

"Until Soditic set up its syndicates, Switzerland had the highest standards in the world for bond issues. Now it has the second largest junk bond market in the world," one Zurich fund manager says.

The main attraction for the companies was a remarkably low cost of borrowing. Soditic and others found that they could float unrated issues in Switzerland with less than a 1 per cent premium over interest rates on blue chip issues. A 1988 Polly Peck issue went at 5 1/2 per cent, a Maxwell Communications issue at 8 per cent.

In the long years of a tightly-controlled market, Swiss bond buyers had become accustomed to tiny differentials in coupon rates. Thus, when they saw something bigger they were too thrilled to look too carefully at the health warnings on the prospectuses.

Some criticise Soditic for exploiting this blind spot, but Mr Serge Ledermann, of Geneva private bankers Lombard Odier, disagrees. "I would not throw any stones at them. They proceeded honestly. Fund managers have to do their homework like everyone else."

When the 1980s boom ended, the market was inevitably hit, and Soditic issues have been prominent among the failures, including those of Bond Corporation, Polly Peck, Haron Corporation and Mountleigh.

The latest victim is Trizec, a Canadian property company with close links to Olympia & York.

In the wake of the collapse of Olympia and York Developments in the UK, Trizec's Swiss franc bonds plunged. A 1985 5 1/2 per cent issue due in 1995 slumped from SF956 before the news to SF740 on Friday, and a 1989 5 per cent issue expiring in 1999 went from SF915 to SF730.

Dealers are reluctant to put too much blame on company collapses for the sorry state of the market. The spread of less than 1 per cent between Swiss and German interest rates is the main culprit, they say. "We have never seen that before," one dealer said.

But there is a cumulative effect, especially as issuers default - something hitherto unheard of in Switzerland.

Holders of bonds that have gone into default have been startled to find that no one is obliged to represent their interests. There is no trustee function under Swiss law.

Soditic and other lead managers have tried to be as helpful as they can, but there are limits. "We are on the creditors' committee of Polly Peck, but we cannot vote because we have no mandate," the Soditic official says.

The problem is intensified because most of the bonds are held by investors who stuff their savings secretly into the Swiss private banks and do not want to identify themselves. It all spells bad news for the future of the market. "It will be a long time before anyone can float anything with less than a double A rating," Franz Riediger of Bank Julius Baer in Zurich says.

Meanwhile, Soditic is now attracting attention for its moves on the Swiss equity market rather than on the bond market. Last week, it placed Swissair's 35.8 per cent stake in the travel agency Kuoni, worth close to SF120m, with institutions in Switzerland and elsewhere in Europe.

# Sappi expects European support

By Philip Garwith in Johannesburg

SAPPI, the South African paper and pulp group seeking to raise \$250m through a Euro-equity issue, is confident it has won considerable support from European investors.

Mr Eugene van As, executive chairman, said yesterday he was confident the group would achieve its target of placing at least half the issue abroad, and perhaps do better.

The offer is the largest by a South African company since

the lifting of trade and investment sanctions.

The main aim of the issue is to finance Sappi's DM299.5m (\$243.3m) acquisition of Hannover Papier, a German fine paper group.

Mr van As said that although they would still have to "see the colour of everybody's money" the issue is already massively oversubscribed with demand so far coming from South African investors.

Mr van As said his impression was that Sappi had been "well received" while investors

remained cautious about South Africa. He said many fund managers were still skittish about investing in South Africa for fear of criticism.

Many of the current generation of fund managers have also never bought a South African stock.

Mr Richard Stuart of Martin, the stockbrokers who form part of the syndicate managing the issue, said Sappi was a major cyclical share. With 65 per cent of Sappi's earnings in hard currencies, the currency risk is considerably diminished, he said.

NEW ISSUE June 2, 1992

**FannieMae**

**\$600,000,000**  
**7.80 % Debentures**

Dated June 10, 1992 Due June 10, 2002  
Interest payable on December 10, 1992 and semiannually thereafter.

Series SM-2002-F Cusip No. 313586 5H8  
Callable on or after June 10, 1997  
Price 99.75 %

The debentures of June 10, 2002 are redeemable on or after June 10, 1997. The debentures are redeemable in whole or in part at the option of the Corporation at any time (and from time to time) on or after the initial redemption date at a redemption price of 100% of the principal amount redeemed plus accrued interest thereon to the date of redemption.

The debentures are the obligations of the Federal National Mortgage Association, a corporation organized and existing under the laws of the United States, and are issued under the authority contained in Section 304(b) of the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 or seq.).

The debentures, together with any interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or of any agency or instrumentality thereof other than Fannie Mae.

The offering is made by the Federal National Mortgage Association through its Senior Vice President-Finance and Treasurer with the assistance of a nationwide Selling Group of recognized dealers in securities.

Debentures will be available in Book-Entry form only. There will be no definitive securities offered.

**Gary L. Perlín**  
Senior Vice President-  
Finance and Treasurer  
3800 Wisconsin Avenue, N.W., Washington, D.C. 20016

**Linda K. Knight**  
Vice President and  
Assistant Treasurer

This announcement appears as a matter of record only. This announcement is neither an offer to sell nor a solicitation of an offer to buy any of the Debentures.

**GOLD FIELDS**  
**OF SOUTH AFRICA LIMITED**  
(Incorporated in the Republic of South Africa)  
(Registration No. 05/04161/08)

CONVERTIBLE REDEMIBLE CUMULATIVE PREFERENCE SHARES

**DECLARATION OF DIVIDEND**

Dividend No. 16 of 144 cents per preference share for the nine months ending 30 June 1992 has today been declared in South African currency, payable to preference shareholders registered in the books of the company at the close of business on 28 June 1992.

Dividends payable on 28 July 1992 will be paid on 28 July 1992.

The conditions governing the payment of dividends are obtainable at the share transfer offices and the London Office of the company.

Requests for payment of the dividend in South African currency by members on the official foreign register must be received by the company on or before 28 June 1992 in accordance with the above-mentioned conditions.

The register of members will be closed from 27 June to 3 July 1992, inclusive.

By order of the Board  
per PRO GOLD FIELDS CORPORATE SERVICES LIMITED  
London Secretaries  
S. J. Dunning, Secretary

London Office: Birmingham House, Finsbury Street, London EC2P 1DH, 4 June 1992

United Kingdom Registered Branches: Barclays Bank plc, 125 Abchurch Lane, London EC4N 3DF, 4 June 1992

A MEMBER OF THE GOLD FIELDS GROUP

**MOSCOW NARODNY FINANCE B.V.**  
U.S. \$ 100,000,000  
Guaranteed Floating Rate Notes Due 1993  
Irrevocably and unconditionally guaranteed by  
**MOSCOW NARODNY BANK LIMITED**

In accordance with the Conditions of the Notes issued in London given that for the interest period 28th May 1992 to 28th November 1992 inclusive (185 days) the Notes will bear interest at the rate of 5% per annum. The coupon rate of a Note for U.S.\$10,000, will be U.S.\$255.94 and of a Note for U.S.\$250,000, will be U.S.\$6,398.61.

The interest payment date will be 30th November 1992.

Agent Bank  
**Deutsche Bank Luxembourg S.A.**

**The Chart Seminar**  
Presented by David Fennell  
The Netherlands 29 & 30 June  
Switzerland 29 & 30 October  
Dates when Chart Analysis will be held in London 29 & 30 June 1992

Call John Fennell on 071 431 2621  
Fax 071 431 4966  
29 & 30 June 1992

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**LEGAL NOTICE**

Notice of appointment of Liquidator  
Voluntary winding up  
Company Number 1778546  
**COUNTY HYDRAULICS LIMITED**  
Previous name of company Procol Hydraulic Limited, Procol Motor Factors (Hydraulic Division) Limited  
Nature of business: General & Electrical Engineers  
Type of Liquidation Creditors  
Address of registered office: Cork Quay, P.O. Box 282, 10 Abbot Place, Malden, Kent ME14 6DZ  
Liquidator name and address: N. J. Voight, Cork Quay, P.O. Box 282, 10 Abbot Place, Malden, Kent ME14 6DZ  
Office holder number: 0220  
Date of appointment: 14 May 1992  
By whom appointed: members  
Date: 28 May 1992

**SEE JAY LEE LIMITED**  
In accordance with Rule 4.106 of the Securities Rules 1984, Notice is hereby given that Anthony Peter McQueen, Director of See Jay Lee Limited, 34 Midway Court, Midway Road, Sutton, Surrey, SM2 6LP was appointed Liquidator of the above company by the members on 22 May 1992.  
Dated this 22nd May 1992.  
APM Brokers PCA MDP

**NOTICE OF REDEMPTION**  
To Holders of  
**U.S. \$200,000,000 General Motors Acceptance Corporation**  
**8% Notes Due July 16, 1994**

Notice is hereby given that pursuant to Paragraph 6 of the Notes and Paragraph 6(c) of the Fiscal and Paying Agency Agreement dated as of July 16, 1986, between General Motors Acceptance Corporation (the "Company") and Chemical Bank, Fiscal and Principal Paying Agent, the Company hereby gives notice of its election to redeem all of its 8% Notes due July 16, 1994. The date fixed for redemption shall be July 16, 1992, and the Notes will be redeemed at the price of 100% of the principal amount thereof together with accrued interest to the date fixed for redemption. After July 16, 1992, the Notes will cease to accrue interest. Payment will be made upon presentation and surrender of the Notes to be redeemed, together with all appurtenant coupons, if any, maturing on and after the date fixed for redemption at the principal office of the Fiscal Agent, Chemical Bank, 130 Strand in London or at the principal offices of Chemical Bank in Frankfurt; Bank Bruxelles Lambert S.A. in Brussels; Banque Generale du Luxembourg S.A. in Luxembourg; and Union Bank of Switzerland in Zurich.

**General Motors Acceptance Corporation**

Dated: June 5, 1992

**U.S. \$45,000,000**  
**Oxford Acceptance Corporation II**  
Floating Rate Notes due December 1993

Notice is hereby given that the Rate of Interest has been fixed at 4.3125% p.a. and that the interest payable on the relevant Interest Payment Date, December 7, 1992 against Coupon No. 12 in respect of U.S. \$500,000 nominal of the Notes will be U.S.\$11,080.73.

June 6, 1992 London  
By: Citibank, N.A. (Issuer Services), Agent Bank **CITIBANK**

**Bank of Ireland**  
U.S. \$300,000,000  
Unrated Variable Rate Notes

Notice is hereby given that the Rate of Interest has been fixed at 5.0025% and that the interest payable on the relevant Interest Payment Date September 8, 1992 against Coupon No. 12 in respect of U.S\$100,000 nominal of the Notes will be U.S\$1,335.94.

June 5, 1992 London  
By: Citibank, N.A. (Issuer Services), Agent Bank **CITIBANK**

**POWER GENERATION EQUIPMENT**

The FT proposes to publish this survey on July 30th 1992.

The FT is read by over 1000 top European businessmen in power, energy and water industries and 5,500 senior businessmen who specify or sub-contract the purchase of industrial plant & equipment. This is more than any other international publication in Europe. If you would like further information on how to reach this important audience, please call Bill Castle on 071 873 3760 or fax 071 873 3062.

Data source: European Business Readership Survey 1992

**FT SURVEYS**



Auto Circle	24	Gen Accident	38	NatWest Bank	28	Vickers	15	Pratt Lums	2 1/2
Auto	34	GEC	17	P & O Ltd	37	Wellcome	78	Sherrill	35
Guinness	60	Glaxo	92	Racial Elect	5 1/2	IN PROPERTY		Tuskar Res	1 1/2
Int Aerospace	26	Grand Nat	38	RHM	16	Brit Land	58		
Irish Steel	7	GRE	13	Rank Org	55	Land Sec	30		
Irish Telecom	26	Harrison	18	Rethers	3	MEPC	29	MINES	
Lezbury	38	ICI	95	Reed Int'l	44	Mountleigh	1 1/2	RITZ	47



## COMPANY NEWS: UK

High hopes for new heart drug but costs will depress profits in short term

## Boots at bottom of expectations

By Maggie Urry

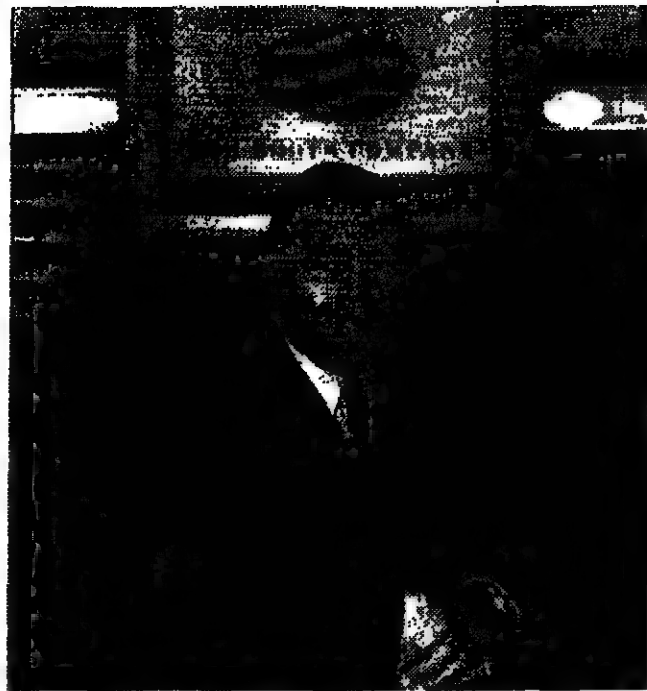
SHARES IN Boots, the pharmaceutical and retail group, dropped 24p to 466p yesterday as the group reported annual profits at the bottom end of expectations and told analysts the cost of bringing Manoplax, its new heart drug, to the market.

Pre-tax profits for the year to March 31, excluding profits on property sales, rose 7 per cent to £369.5m. Property sale profits added another £14.7m (£13.4m). Group sales were 2.6 per cent higher at £2.66bn.

Sir Christopher Benson, chairman, said the group was "extremely pleased" with the results. He said that economic recovery was slow but there were "some encouraging sales increases" which gave him some optimism for the year.

Sir James Blyth, chief executive, said that bringing Manoplax to the market would depress profits in the pharmaceutical division in the short term, although in the longer term the group had high hopes for the drug.

The company aims to spend an extra £15m-£20m in the current year on recruiting and training the sales force and will increase its R&D spending on the drug too.



Sir James Blyth: some encouraging sales increases seen

The pharmaceutical division increased profits by 5 per cent to £130.3m on turnover 11 per cent higher at £699.2m.

Much of the business is overseas, however, and before exchange rate effects profits were more than 13 per cent higher.

On the retail side, the Boots

other retail formats, such as Halfords, Do It All and Childrens World, turned in a combined trading loss of £5.3m compared to a profit of £27.3m. Many of these businesses were acquired when Boots took over Ward White in 1989 for £90m.

Sir James said that these businesses were affected by the economic recession. Halfords, the car parts and bicycle retailer, lost £10.5m (profit £2.8m).

The property division increased trading profits from £20.1m to £28.2m, including the profits on property sales.

Interest charges fell from £85.1m to £63.1m and central costs were down from £18.1m to £13.9m. Net borrowings were cut by £108.7m, of which £41.7m represented convertible bonds switched into shares, to £362.3m. This left gearing at the year end of 35.3 per cent (37.3 per cent).

Earnings per share rose to 36.4p (34.2p). An increase of 6 per cent to 8.1p in the final dividend is proposed to give a total of 12.4p (11.6p).

See 12c

## Failure of Topic hits commissions

By Terry Byland

A PROLONGED failure in the London Stock Exchange Topic news and information service caused a substantial loss of commission business for market firms yesterday. Many institutional investors ceased to deal because of the absence of reliable share price information.

The Topic system was unable to transmit for most of the session, due to a software problem. The Stock Exchange Automated Quotations network (Seaq) operated normally, but share price quotations were "indicative" and not binding on market makers.

The FT-SE 100 index was partly indicative, and the FT-SE Eurotrack indices were wholly indicative at the close.

The problems fell mostly on investment clients, including unit trusts, merchant banks, and pension funds. In the absence of screen quotations, fund managers had to choose between dealing "blind" at the share prices quoted by market-makers over the telephone, or to withdraw temporarily from the market.

"For them, it was rather like stepping up to the crease at baseball with a sack over your head and trying to hit the ball," commented Mr Nigel Little of Panmure Gordon, the UK brokerage house. Most managers soon decided to quit the field.

Most of the large securities firms, including the market makers, were able to take market information on digital feeds from the Stock Exchange which were unaffected. This information is then fed into the firms' own in-house computer networks, giving traders access to most of the normal market information and data.

The loss in client business will not be known until this morning.

Yesterday's Seaq volume total of 505.9m shares compared fairly well with Wednesday's 473.6m. But the Seaq total takes in trade from both clients and market makers. Market maker business was high yesterday as the London-based houses arbitrated between stock index futures and the underlying stocks.

## Wellcome prospectus stresses core pharmaceutical business

By Paul Abrahams

THE "pink herring" prospectus published yesterday by Wellcome stressed how senior management have concentrated on core pharmaceutical operations in recent years. Businesses involved in animal healthcare, industrial hygiene, human vaccines and environmental health have all been sold during the last two years.

The company emphasised the importance of its over-the-counter (OTC) operations, adding that the long-term growth of that business was one of the group's strategic aims. The company was "actively exploring the possibility of substantial OTC joint

venture arrangements," it wanted to sell its existing products in new markets, particularly on the continent.

The prospectus also set out how the company had adopted a more marketing-led approach to research and development. It was increasingly focusing on drugs which "enhance the competitive standing of the company as well as promoting human health and quality of life." In addition, the marketing department now had far closer ties with the research departments. The aim is to ensure rapid and successful product launches.

The more commercial approach in sales and marketing was also highlighted in the

document, as was the increased emphasis on financial returns. The company particularly mentioned it wanted to improve margins through cost-savings.

The prospectus warned, however, of the increasingly difficult environment for pharmaceutical companies, particularly in the area of pricing. It pointed out that France, Italy and Spain were all considering new pricing and reimbursement bills. Meanwhile, in the US, the company spent \$11m (£6m) last year on rebates for Medicaid, the federally-funded healthcare programme. It warned that such rebates would increase significantly in future years.

## Incentives for UK investors

By Maggie Urry

BRITISH RETAIL investors are being offered some favours in the Wellcome share sale, although nothing like those now usual in privatisations.

They will have to pay the same price as large investors, but at least £1,000 worth and pay in one instalment.

Shareholders on the Wellcome register on June 15 and with addresses in the UK will be sent blue forms giving them priority if they

apply for up to £5,000 worth of shares. They can also buy shares in the general offer.

Otherwise, UK investors can apply either on application forms or through retail selling agents. A number of shares will be reserved for the UK market, with a limit of £100,000 per applicant. Shareholders can apply through a personal equity plan or transfer shares bought in the offer to a PEP, to take advantage of the tax concessions of PEPs.

A share information office opened yesterday. The telephone number is 081 944 1242.

## 600 Group holds dividend as losses are reduced to £534,000

By Angus Foster

SHARES IN 600 Group yesterday jumped 9p to 58p as the machine tool and mechanical handling company proposed holding its dividend and said it was broadly optimistic about the outlook.

The company reported an 18 per cent reduction in pre-tax losses, from £650,000 to £534,000, in the year to end-March.

Mr Colin Gaskell, group managing director, said margins were maintained and costs cut during the period. "We expect to achieve an improved outcome even at current depressed levels of trading," he said.

But he warned that business conditions remained difficult to predict and were likely to

stay depressed for "six to nine months".

Turnover fell 80 per cent from £140.8m to £28.5m. The company said UK orders for machine tools were 50 per cent below normal levels, and export markets were also difficult.

The fall in orders led to an operating loss of £1.7m (profit £4.1m). Interest costs improved to £2.1m (£3.3m) reflecting falling interest rates and cost cutting.

The company was helped by exceptional profits of £3.3m, against costs last time of £1.5m. This represented the balance between exceptional surpluses of £9.4m from property sales and reorganisation costs of £6.0m stemming from combining two lathe companies to one site.

Losses per share were 3.2p (3.3p). A proposed final dividend of 1.5p (1p) makes an unchanged total of 2.2p. Transfers from reserves totalled £2.0m (£4.5m).

Cost savings of £13m were made during the year, compared to a predicted saving of £5m. Stocks fell by 88m while debtors fell in line with sales, the company said. This, combined with proceeds from property disposals, helped bring gearing down from 36 per cent to 12 per cent at the year end.

The full year figures also suggested a slight improvement from the interim stage, when the company suffered a loss before tax of £3.2m on sales of £250.5m, compared to profits of £1.6m on turnover of £72m.

## TI buys 10% as Dowty bid nears close

By Richard Gourley

TI GROUP, the specialist engineer, yesterday paid 189p a share for 10 per cent of Dowty, the aerospace and information technology group that it is pursuing via a hostile £235.7m bid.

The shares purchased, made only four days before the offer closes, increases the chances that Dowty will lose its independence, particularly as brokers were able to buy the stake relatively quickly.

"We are extremely pleased with today's market operation,

which underlines our confidence in the successful outcome of the bid," TI said.

Dowty dismissed the purchase, saying: "This 10 per cent we knew we were going to lose, but they have had to pay an incredibly high price."

TI paid about 14p above the 175p per share value of the cash alternative to the 4-for-16 share offer, currently worth 189p.

In its latest letter to shareholders, TI stressed that the key issue in the last days of the bid was which of the two

companies' managements was best suited to set and execute the correct strategy for Dowty. Mr Christopher Lewinton, TI chairman, also questioned Dowty's ability to turn the corner.

"I suspect that many shareholders had lost money on their Dowty shares before TI made its bid," he said. "Now they should ask themselves whether they believe Dowty's hollow promises or TI's solid record of creating shareholder value."

Dowty has consistently said

that it is about to make a strong recovery after recession hit years and the mistake of moving into information technology.

Contrary to what TI might claim, significant costs had already been taken out of the business and shareholders, faced with a 7 per cent yield on their shares and the genuine prospect of recovery, should stay with the existing management, Dowty said.

Shares in TI added 7p yesterday to 364p and its target's price rose 6p to 189p.

## SIEMENS

## Important Notice

Siemens Western Finance N.V.  
Curaçao, Netherlands AntillesEnd of Subscription Period for  
Warrants attached to U.S.\$ Zero Coupon Bonds of 1986/2001

Securities No 871 073 (Warrants)  
Securities No 478 376 (Bonds with Warrants attached)

Notice is hereby given that the Warrants attached to the U.S.\$ Zero Coupon Bonds of 1986, due 2001, expire on June 19, 1992.

Subject to denomination each Warrant entitles to subscribe for one or seventeen common shares of Siemens AG, Berlin and Munich, each of DM 50.- per value at a subscription price of DM 620.- per share. The shares entitle to dividends for the current fiscal year.

To exercise the subscription right the bearer of the Warrant shall via any of the Receiving

Agents mentioned below and using a form available from the Receiving Agents file a written notice with Deutsche Bank AG, Munich Branch, as Warrant Agent. This notice to exercise the subscription right shall be binding. At delivery of the notice the bearer of the Warrant shall pay the subscription price and surrender the Warrant together with all four receipts. The notice shall only become effective upon receipt of the subscription price and of the Warrant by Deutsche Bank AG, Munich Branch, as Warrant Agent by June 19, 1992 at the latest.

Receiving Agents in the Federal Republic of Germany are the following banks and their branches:

Deutsche Bank AG  
Bankhaus H. Aulhauser  
Baden-Württembergische Bank AG  
Bayerische Hypothek- und Wechsel-Bank AG  
Bayerische Landesbank Girozentrale  
Bayernische Vereinsbank AG  
Berliner Bank AG  
Berliner Commerzbank AG  
Berliner Handels- und Frankfurter Bank  
Commerzbank AG  
CSFB-Effektenbank AG  
Delbrück & Co.  
DG Bank Deutsche Genossenschaftsbank

Dresdner Bank AG  
Hamburgische Landesbank-Girozentrale  
Hessische Landesbank-Girozentrale  
Merck, Finck & Co.  
Metallbank GmbH  
Norddeutsche Landesbank Girozentrale  
Sal. Oppenheim & Co. KGaA  
Südwestdeutsche Landesbank Girozentrale  
Tinkhaus & Burkhart KGaA  
Vereins- und Westbank AG  
M. M. Warburg & CO.  
Westdeutsche Landesbank Girozentrale

Receiving Agents outside the Federal Republic of Germany are the following banks:

ABN AMRO Bank N.V.  
Banque Internationale à Luxembourg S.A.  
Banque Nationale de Paris  
Crédit Lyonnais

Schweizerische Bankgesellschaft  
Schweizerische Kreditanstalt  
Schweizerische Volksbank  
Schweizerischer Bankverein  
S.G. Warburg & Co. Ltd.

In compliance with the regulations of the relevant stock exchanges the last trading day of the Warrants at the German stock exchanges will be June 11, 1992 and June 15, 1992 at the Luxembourg Stock Exchange, respectively.

Curaçao, June 1992

Siemens Western Finance N.V.

## Richmond reveals loss of £37m project

By Neil Buckley

RICHMOND Oil and Gas, the US natural resources group which is quoted in London, insisted yesterday that it was still solvent despite losing its most significant development, resulting in a substantial reduction in its balance sheet.

The group announced that lenders Johnson Ranch Partners had foreclosed on the company's interest in the Richmond Ranch oil and gas field in Texas.

This will mean a net reduction in group assets of about £37m. At March 31 1991, the date of the latest available audited balance sheet, Richmond had net assets of £49.7m.

The shares lost 3p to close at 8p yesterday, compared with a high of 17p in 1990.

Mr David Wilkinson, joint managing director, said the directors believed that the value of Richmond's interest in Richmond Ranch had fallen below the amount

of indebtedness against which it was secured. It was therefore "very unlikely" to take up an exclusive option granted by Johnson Ranch Partners to re-purchase Richmond Ranch within 15 days, if refinancing could be arranged.

Richmond acquired the Richmond Ranch field for \$33m (£18.3m) cash and assumed \$1m debt in October 1989, when it was hailed as the company's most significant asset. However, the combination of a virtual halving in the US gas price, which drastically affected returns, and cost overruns at the drilling stage meant that the project never fulfilled its promise.

Mr Wilkinson pointed out that the group now had no borrowings and outlined four factors which he believed could reverse the group's fortunes:

● Firstly, it is selling the Lone Star Royalty Corporation, acquired in 1990, for \$750,000.

● A lawsuit which prevented completion of the sale of Richmond's San Juan Basin Coal Bed Methane properties in September 1991 has also been settled. Richmond, which had received only \$13.6m of an expected \$20m before the lawsuit was served, is now holding discussions with potential purchasers of the balance of the New Mexico and Colorado properties.

● Most significantly, Richmond is negotiating with joint venture partner American Hunter Exploration to increase its 25 per cent interest in the Jicarilla Apache Tribal Lands field in New Mexico to 40 per cent. The agreement would cover two producing wells, and a proposed five-fold increase in the acreage.

● The company also revealed yesterday that it is awaiting registration of an agreement to form a Russian joint venture with Krasnolensk Oil and Gas in western Siberia.

## NEWS DIGEST

## Brit Syphon lower at £5.91m

BRITISH SYPHON Industries, the engineering and polymer processing group, reported profits of £5.91m pre-tax for the 1991 year.

The outcome, achieved on turnover of £46.1m, compared with £22.2m for the previous 16 month period when turnover totalled £34.9m.

Earnings per share worked through at 11.9p (11.2p). A final dividend of 3p is proposed.

## United Biscuits in Spanish joint venture

United Biscuits is setting up a sales company to distribute its McVitie's, Carr's and Orlis products in Spain.

The company will be jointly

owned with Royal Brands, a Spanish food group, and will also handle that company's brands. It will start operating in January next year.

McVitie's is the largest UK biscuit maker and the second largest in Europe with sales of £78m in 1991. Royal Brands is owned by Tabacalera, the leading Spanish tobacco group, and is the market leader in the Spanish biscuit market.

## Greycoat makes £19.1m sale

Greycoat, the property company specialising in central London offices, has sold a building in the City of London to Scottish Amicable Life Assurance for £19.1m.

The 46,000 sq ft office building, St Clement's House in Clement's Lane, is let to Standard Chartered Bank.

There is a provision for a further payment to Greycoat in June 1993, dependent on the

value of the building at that time.

## Recovery under way at Rowlinson

Rowlinson Securities, the Cheshire-based property group, returned to the growth track in the 12 months to March 31.

Pre-tax profits, struck after an exceptional £978,000 (£341,000) for development write-downs, amounted to £691,000. This compared with just £93,000 in the previous year, but fell well short of the £2.61m achieved in the year to end-March 1990.

The rent roll improved to £3.2m (£2.82m) by the year-end and was now £2.8m he added. Interest charges dipped from £2.25m to £1.84m.

Turnover amounted to £8.41m (£6.65m). Earnings per share improved to 5.44p (1.58p). The final dividend is maintained at 1.11p for an unchanged total of 1.36p.

## Squeeze on margins restricts Dart rise

Dart Group, the Dorset-based aviation services and forward-

ing and distribution company, achieved a modest increase in profits for the 12 months to end-March.

After almost doubled interest charges of £356,000 (£133,000), pre-tax profits amounted to £1.93m, up from £1.8m last time.

Mr Philip Meeson, chairman, said the small growth reflected pressure on margins throughout the group's activities, especially in the second six months. Progress in the current year would be "steady rather than spectacular".

Turnover improved 15 per cent to £57.4m (£32.4m). A proposed increased final dividend of 2p, makes a total of 3.3p (3p), payable from earnings of 9.4p (3.7p) per share.

## Reduced deficit at URS Int'l

URS International, the US professional services group quoted in London, incurred a reduced deficit of £1.09m (£800,000) for the 1991 year.

The outcome compared with a restated loss of £2.42m in 1990, and came from turnover of £206,000 (£1.79m). Losses per share halved to 4 cents.

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final and the shareholders shown below are listed mainly on last year's timescales.

TODAY  
Preston: Poppy, EFM Income Trust, Mid Southern Water, Property Partnerships, Scotia, Wharfedale

FUTURE DATES	
Castrol Investments	June 10
Crust Nicholson	June 2
Trust	June 8
Woods	June 10
British Land	June 11
Bulmer (B&P)	June 15
Osborne & Wiggins	June 17
Carson's Industries	June 18
Orlans (A)	June 18
Orlans	June 18
Stanley & McEwan	June 18



## COMPANY NEWS: UK

# Anglian Water raises dividend by 10%

By Angus Foster

ANGLIAN WATER, regarded as one of the most cautious of the 10 privatised water companies, yesterday adopted a more aggressive dividend policy, with a proposed 10 per cent increase in dividends for the year to March 31.

The company is recommending a final of 13p to make a total of 19.3p (17.5p). The rise gives real growth of 5.3 per cent making Anglian the first of the water companies to depart significantly from the assumption of 4 per cent real growth agreed during the 1989 privatisation. Earnings per share grew 13 per cent to 51.7p (45.9p).

The shares gained 8p to 437p as the stock enjoyed a partial re-rating.

Mr. Bernard Henderson, chairman, said the increase was a reward for shareholders and followed improvements in customer service.

But the decision may prompt another reprimand from the Office of Water Services, the water regulator, which last year warned that dividend increases should not be higher than for the stock market generally. This view was rejected by the water companies.

Pre-tax profits increased 13 per cent from £152.6m to £171.3m. "It's been a good year and we're in excellent shape," Mr Henderson said.

Turnover advanced by 14 per cent to £523.1m (£460.6m), mainly due to price increases of 15.3 per cent. However, the



Bernard Henderson: rewarding shareholders

rise was constrained by recession among industrial customers. Increases this year will be lower at 9.4 per cent, but Anglian's prices remain among the highest in the country.

Operating expenses increased 12 per cent to £241.4m, mainly due to inflation and increased standards. Depreciation was 18 per cent higher at £45.6m (£38.8m), reflecting the increased capital expenditure programme to improve sewerage, water quality and beach quality.

Capital expenditure and infrastructural renewals rose 29 per cent to £294.9m. Mr Chris Mellor, finance director, said spending would rise

another £50m to £345m this year.

Net borrowings, which rose from £194.7m to £308.8m during the year, will increase again and gearing is set to rise from 18 per cent at the year end to 23 per cent, he said.

At the interim stage Anglian reported pre-tax profits of £91.9m on sales of £267m.

See Lex

Price rises 10p to 467p as 18m shares traded, three times the normal volume

## 'Tactical error' by Lloyds as arbitrageurs gather

By Norma Cohen, Investments Correspondent

INSTITUTIONAL shareholders in Midland Bank believe Lloyds Bank may have made a tactical error in its effort to acquire its smaller rival by not immediately announcing a new, higher bid to cap that offered Tuesday by Hongkong and Shanghai Bank.

The Lloyds' board is meeting today and is expected to improve on its existing £3.9bn proposed offer, announcing enriched terms which will become a formal bid if its approach is cleared by the Monopolies and Mergers

Commission in August.

The enhanced bid from HSBC has encouraged arbitrageurs to buy Midland shares.

Because arbitrageurs buy shares for short-term profits, not long-term gains, they are expected to tender the shares to HSBC and could tip the scales in favour of the Hong Kong-based bank.

Midland's shares yesterday closed 10p higher at 467p, with 18m shares traded - roughly three times the normal vol-

ume. Market sources also said that HSBC had apparently been buying shares in recent days and may have accounted for as much as a third of yesterday's activity. HSBC's stake in Midland stood at 16.9 per cent yesterday morning.

HSBC's new bid offers speculative investors the opportunity to buy shares with a guarantee that they will be purchased later at a higher price.

The new offer values each Midland share at about 480p. When it was first announced on Tuesday, Midland was trading at 452p.

Shareholders said the

mechanical difficulties of conducting a classic arbitrage between HSBC and Midland shares had dampened activity until now. A classic arbitrage would have encouraged shareholders to sell HSBC shares short while buying Midland at a lower price. Eventually, the shares would be transferable to HSBC at a higher price.

However, UK institutions generally report difficulties with selling foreign stocks short and on the Hong Kong Stock Exchange, shares may not be sold short. If they are sold short in London, settlement periods are far longer than those in Hong Kong

where shares must be paid for two days after the transaction. By comparison, Midland shares bought in London on Thursday do not have to be paid for until the end of the current account period on June 22.

Shareholders said that much of the arbitrage activity in HSBC and Midland shares was occurring in New York markets where it is possible to sell short the American Depositary Shares of HSBC. With settlement periods for a short sale of HSBC and a purchase of Midland shares coinciding, the transaction becomes easier to complete.

See Lex

## Fed grants Hongkong Bank application

By Janet Martin, In Washington

THE US Federal Reserve has rejected an attempt by Lloyds Bank to use the US banking laws to block Hongkong and Shanghai Banking Corporation's bid for Midland Bank.

The central bank has granted HSBC's request for temporary authority under the 1956 US Bank Holding Company Act, to acquire Midland, and thereby engage indirectly

in non-bank activities in the US. Lloyds had made submissions opposing the request.

In its judgment, the Fed said that "the information presented by Lloyds does not compel denial of the application". While reserving the right to review the situation, it added that Lloyds could file an application in pursuit of its counter-bid for Midland on the same basis as HSBC, the presumption being that it would also be granted.

"The board has determined," the Fed said, "that HSBC would not derive any material competitive advantage over US bank holding companies as a result of this acquisition." Nor had HSBC engaged in any "impermissible conduct" in the US.

It said that the transaction would occur "substantially outside the US and is proposed predominantly for reasons unrelated to the US". Midland, it said, had only 3 per

cent of its global assets in the US.

Noting that UK authorities had not objected to the HSBC bid, "the board believes that it is in the public interest to limit the effects of US regulation on an essentially foreign transaction, provided, as in this case, that the exemption does not grant substantial competitive advantage to the foreign organisation or have other adverse effects in the US".

## OFT to probe card protection deal

The sale of Cardwise, a small credit card protection company formerly owned by the Access banks, is to be probed by the Office of Fair Trading.

The prospective buyer is believed to be Credit Card Sentinel, the largest player in the UK card protection market. Cardwise is owned by First Data Resources, the credit card processing arm of American Express. Sentinel is the European offshoot of Datacard Corporation of Minneapolis.

## Quiligotti sells US arm and calls for £3.2m

By Jane Fuller

QUILIGOTTI, the USM-quoted maker and installer of terrazzo floors, is selling its low-making US subsidiary and raising \$3.2m in a rights issue.

The new management, which bought into the company last September, also warned that it had lost about £1.8m pre-tax in the year to March 31, compared with a £310,000 profit in 1990/91. There would be no final dividend. The interim was also passed.

Mr Roy Jenkins, chief executive, said: "People worried about Quiligotti for two reasons - America and high debt - and those two reasons have gone away."

The US business, which incurred a trading loss of about £1.8m last year, is being sold for \$680,000 (£338,000) to

JWB Capital Group, of Texas. A near £3m write-off on the disposal will be treated as an extraordinary item.

Mr Jenkins said that although the UK business made a trading profit of about £700,000, the 1991-92 pre-tax loss had been pushed up to £1.8m by more than £500,000 of provisions for old contracts, plus rationalisation costs and interest payments.

The 3-for-2 Rights Issue at 8p a share would raise £3.2m and reduce net debt of £4.5m. Gearing would come down from more than 100 per cent to less than 80 per cent.

The group, which supplies flooring for supermarkets, airports and stations, was developing new ceramic, marble and granite-based products to try to increase its share of hard flooring markets.



### THE BAHAMAS

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## COMPANY NEWS: UK

# Tiles cost-cutting helps lift Norcros to £15.6m

By Jane Fuller

THE BENEFITS of cost cutting in its ceramic tile factories helped to offset a sharp deterioration in windows and doors at Norcros last year.

Pre-tax profit rose 4 per cent to £15.6m (£15m) on reduced turnover of £394m (£425m) in the 12 months to March 31. A decline of 7 per cent in operating profit to £24.3m (£26.2m) was outweighed by reductions in exceptional charges and interest costs.

The better-than-expected results and hopes of further progress helped the share price gain 17p to close at 149p. A maintained final dividend of 3.5p leaves the total unchanged at 7p, just covered by earnings per share of 7.5p (7p).

Mr Michael Doherty, chief executive, said: "We have completed our restructuring and now we are going to start growing." Operating profit per employee had risen by 11 per cent.

In ceramics, including Johnson Tiles in Stoke-on-Trent where 1,500 jobs have been shed, operating profit rebounded by 74 per cent to £11.4m (£8.53m) on sales of

£121m (£118m). Apart from a 30 per cent profit improvement in the UK, there were turnarounds in Australia and South Africa.

Profits also advanced in print and packaging, where the group is involved in niches such as films and tickets. The division made £12m (£10.4m) on sales of £59.6m (£57.2m).

But building products profit fell by nearly £10m to £3.5m on sales of £156m (£184m). Mr Robert Alcock, finance director, said the big disappointment was Crosby Sarek, the windows and doors maker, which incurred a "significant" loss, and Crittall Windows, which fell into the red. These had wiped out good performance from Triton showers and Crosby Kitchens.

Gearing remained high at 91 per cent on net debt of about £128m (£147m). More than £17m had come in from property sales, with a further £22.5m since the year-end. Mr Alcock said a 58m portfolio remained most of it should be sold this year.

Meanwhile the activity has been slowed below the line, making it the main contributor to a £4.69m extraordinary charge.

## COMMENT

A big sigh of relief was heaved yesterday at evidence that the expensive years of closing factories, shedding workers and capital spending were over and that some benefits were at last coming through. However, the slide in building products showed that cutting costs is not a panacea. Crosby Sarek still needs a 10 per cent volume increase to break even. With further benefits to come from cost-cutting and lower interest payments, even a small pick-up in demand should send this year's pre-tax profit to between £20m and £25m. In spite of yesterday's rally, the prospective p/e of roughly 15 is lower than many recovery stocks in the building materials sector, and the print and packaging wing is no detraction. But excitement about recovery prospects should be tempered by the property portfolio and the related high gearing, and by some caution about the outlook for house building and, even more so, for commercial building. Supported by a 6.3 per cent yield, the price should have a bit more room for improvement.

## Country Casuals seeks SE listing

By Richard Gourley

COUNTRY CASUALS Holdings, a women's clothing manufacturer, yesterday joined the growing number of companies seeking a quotation on the Stock Exchange.

The company, a 1989 management buy-in to the clothing chain previously owned by Coats Viyella, is hoping to raise about £11m through a placement on June 17 giving it a market capitalisation of between £30-£35m.

In the year to January 25, it made pre-tax profits of £2.01m, more than double the previous year, on sales up 15 per cent at £33m (£31.2m).

Mr John Shannon, chairman and one of the three managers who paid £12.5m for the business, said the brand had been revived despite the recession. This had been achieved via a strategy based on changes to the design philosophy, the planning and production of the clothing range, the imposition of tight management controls and employee motivation.

Continued progress would come via increased market share by raising the number of outlets from the current 155 and through a new casual wear line aimed at a broader market.

Country Casuals has already paid off most of the senior debt it borrowed from the Bank of Scotland and is now broadly cash flow positive. £2.7m of preference shares need to be redeemed.

Management put in £100,000 of the £2.5m capital, with the balance provided by Invesco NIM, County NatWest Ventures and St. The venture capital group owned by the high street banks.

After the flotation the buy-in team will have 36 per cent of the company. Morgan Grenfell is sponsoring the placement and the brokers are County NatWest.

Mr Shannon said he would be interested in acquiring another retail brand, and applying the same strategy as that which had turned Country Casuals around.

## Morland spurns £101m Greene King offer

By Philip Rawson

MORLAND, the Thames Valley regional brewer, yesterday flatly rejected the £101m takeover bid from Greene King, the East Anglia-based brewer, as "an opportunistic attempt to acquire Morland on the cheap."

Sir Humphrey Pridemore, Morland's chairman, urged shareholders not to be pressured into accepting Greene King's offer of 47p a share or the cash alternative of 45p. "We have no doubt that the bid undervalues your company," he said.

Sir Humphrey accused Greene King of trying to take advantage of Whitbread Investment Company's enforced disposal of its 43.4 per cent shareholding to comply with the government's beer orders.

WIC had sold Greene King a 25.5 per cent holding and pledged its 14.9 per cent balance - but price had been 18.5 per cent a year.

"Well over twice as fast as Greene King," Earnings per share had grown at a compound rate of 17 per cent a year - "the best record of all the major regional brewers and pub operators."

Dividends per share had grown at 15.6 per cent a year compared to Greene King's 11.7 per cent.

Tanning Greene King with its failure to forecast its profits for the year to May 3, Sir Humphrey asked: "Does it have something to hide? Are its profits up to market expectations?"

Mr Simon Redman, Greene King's chairman, said last night: "We have nothing to hide. We have issued a full statement about current trading and a final dividend forecast."

Morland had not attempted to deny the commercial logic of acquisition by Greene King, he said. Morland's profit record was no guide to its future in a beer industry that was changing fundamentally.

Suggestions that Morland had strategic difficulties in coping with changes in the industry were dismissed as "nonsense" by Mr Jasper Clutterbuck, chief executive.

Morland's brewery made a significant contribution to group profits and was producing ale more cheaply than it could be bought on the open market, he claimed. Distribution deals with national brewers had opened new markets for its ales; free trade sales had increased 54 per cent in the past two years.

Greene King had admitted that Morland had "a good quality" pub estate, and talks on further acquisitions were being held, Mr Clutterbuck said.

With gearing of only 8.1 per cent - compared to Greene King's 43 per cent - and cash deposits of more than £2m, Morland was well-positioned to take advantage of opportunities arising from the industry upheavals caused by the beer orders.



Jasper Clutterbuck: no difficulties coping with changes

Over the past five years, Morland's pre-tax profits had grown by 18.5 per cent a year.

"Well over twice as fast as Greene King," Earnings per share had grown at a compound rate of 17 per cent a year - "the best record of all the major regional brewers and pub operators."

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## Placing values Vega at £17.2m

By Daniel Green

ONE OF the smallest stock market flotations of the year was completed successfully yesterday with a placing of shares in Vega Group, a space industry consultancy.

A history of strong growth allowed the shares to be placed at 122p, a p/e ratio of 18.35 on notional earnings per share for the year to March 31 1992 of 6.65p.

Turnover increased from £1.9m to £3.3m between 1988 and 1992, with pre-tax profits rising from £286,000 to £1.4m over the same period.

At the placing price the company will have a market capitalisation of £17.2m with an estimated gross dividend yield of 2.5 per cent.

Dealings in the shares are due to begin on June 11.

The sponsor, Beeson Gregory, placed 437m shares - 31 per cent - with institutional and private investors to raise £2.33m for existing shareholders. No new money goes to the company which said the placing was worth more than three times overvalued.

Directors said that a public quotation would help the company secure new orders and would improve staff incentives.

Directors will keep 42.8 per cent of the share capital and have undertaken not to sell any shares until after the publication of the 1993 results.

More than half the employees will hold a further 6.3 per cent.

The company was started in 1978, with Mr John Rigg, chairman, and Mr Chris Duckworth, finance director, joining

in 1989. It is organised into four divisions: operations engineering, software, systems engineering and dynamics and control. There are 129 staff, of which 107 are technical. Their work is in software and systems for ground services and in-orbit operations.

Its biggest customer is the European Space Agency, which has a budget of £2bn a year to build and launch non-defence satellites.

Contracts usually last for the life of a satellite, about 10 years. The company has an order book of "over £18.7m".

Vega has just secured a £1m Ministry of Defence contract in the area of battlefield command and control and said there could be further expansion outside the space industry.

Country Casuals has already paid off most of the senior debt it borrowed from the Bank of Scotland and is now broadly cash flow positive. £2.7m of preference shares need to be redeemed.

Management put in £100,000 of the £2.5m capital, with the balance provided by Invesco NIM, County NatWest Ventures and St. The venture capital group owned by the high street banks.

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Mr Shannon said he would be interested in acquiring another retail brand, and applying the same strategy as that which had turned Country Casuals around.

## Marston deal with Courage

MARSTON, Thompson & Everard, the Burton-on-Trent-based brewer, yesterday announced a reciprocal beer distribution agreement with Courage, its first such alliance in the last month, writes Philip Rawson.

From mid-July, Marston will add a range of Courage lagers and Beemish Irish stout to its range. It will also distribute the leading Courage ale, John Smith's Bitter, in the Midlands and north-west. Courage will add Pedigree premium cask-conditioned ale and Low C, the lower calorie bottled beer, to the lower cask range.

Marston, in which the Whitbread Investment Company has yet to reduce its 31.4 per cent shareholding to comply with the government beer orders, has already signed similar deals with Wolverhampton & Dudley, Scottish & Newcastle, Allied, and Bass.

The deal increases the Pubmaster estate to nearly 4,000 pubs and leaves Whitbread with only another 800 pubs to free from the tie in the next five months to comply with the government's beer orders.

Whitbread has sold more than 1,000 pubs and leased a further 800 in the past three years. The pubs leased to Pubmaster are mainly in north-west England, Gloucestershire, and Kent.

Whitbread, the brewing and retailing group, is to lease 174 pubs, free of tie beer supplies, to Brent Walker's Pubmaster estate, writes Philip Rawson.

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## IWP rises 19% to £11m and seeks acquisition

By Tim Coone in Dublin

IWP International, the Irish industrial holding company, reported pre-tax profits ahead 19 per cent, from £9.2m to £11m (£10m), for the year to March 31. Turnover rose 3.6 per cent to £192.6m.

The company was originally a wire and fastenings manufacturer, but following reorganisation in 1987 and a rapid series of acquisitions, diversified into printing and packaging, telecommunications and household product manufacture which included firelighters, air fresheners and disinfectants.

A new management team brought in 1990 put a halt to the acquisition programme in order to consolidate the company and get its financial structure under control.

Mr Joe Moran, chairman and chief executive, said the outcome was a result of that reorganisation, which has brought gearing down from 128.6 per cent two years ago to the current 36.5 per cent and seen £6.5m invested in manufacturing plants over the same period.

He said that in consequence the group's product lines have dropped in price over the past year, but margins and turnover have increased.

The group was now ready to make a substantial new acquisition "either in household products or in printing and packaging" which he said would be a "strategic add-on business".

Earnings per share rose 16 per cent to 28.1p (24.3p) and a recommended final dividend of 3.85p makes an increased total of 6.6p (6p).

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This notice is important and requires the immediate attention of holders of Bonds. If holders are in any doubt as to the action they should take, they should consult an independent financial adviser authorised under the Financial Services Act 1986 without delay.

**Blue Circle Industries Capital Limited**  
(the "Issuer")  
(Incorporated in Jersey with limited liability)  
£90,000,000  
10% Convertible Capital Bonds due 2005  
(the "Bonds")

Guaranteed on a subordinated basis by  
**Blue Circle Industries PLC**  
(the "Guarantor")  
(Incorporated in England under the Companies Act 1985)  
and convertible into 2% Exchangeable Redeemable Preference Shares in the Issuer  
(the "Preference Shares")  
guaranteed on a subordinated basis by, and exchangeable for ordinary shares in, the Guarantor  
(the "Ordinary Shares")

**Notice of Announcement of Rights Issue**

Notice is hereby given to holders of the Bonds that on June 4, 1992 the Guarantor announced the terms of an issue of Ordinary Shares by way of rights to the holders of Ordinary Shares and the holders of the 7% per cent Convertible Redeemable Preference Shares in the Issuer (the "Rights Issue"). Under the Articles of Association of the Issuer (the "Articles") the issue of Ordinary Shares pursuant to the Rights Issue is likely to result in adjustment to the Exchange Price of 270 pence per Ordinary Share currently in force to 260 pence per Ordinary Share and such adjustment is likely to become effective on June 5, 1992.

Application has been made to the London Stock Exchange for the new Ordinary Shares issued pursuant to the Rights Issue to be admitted to the Official List. The Rights Issue, and hence the proposed adjustment to the Exchange Price described herein, is conditional upon such admission becoming effective, which is expected to be on June 5, 1992.

The Issuer's Articles provide that if the Conversion Date (as defined in the terms and conditions of the "Conditions") of the Bonds (the "Conversion Date") in relation to any Bond is after the record date for the Rights Issue but before the date of issue of Ordinary Shares pursuant to the Rights Issue the Issuer will procure that there shall be issued to an exchanging Preference Shareholder following conversion of his Bonds or in accordance with the instructions contained in the relative Conversion and Exchange Notice (as defined in the Conditions) (subject to any applicable exchange control or other regulations) such additional number of Ordinary Shares as, together with the Ordinary Shares issued or to be issued on exchange of the relevant Preference Shares, is equal to the number of Ordinary Shares which would have been required to be issued on exchange of such Preference Shares if the relevant adjustment to the Exchange Price had in fact been made immediately after the record date for the Rights Issue, being May 29, 1992.

Fractional Ordinary Shares will not be issued on exchange and no cash adjustment will be made. However, subject to the Conditions and the Issuer's Articles, where Ordinary Shares arising on exchange of the relevant Preference Shares are to be registered in the same name, the number of Ordinary Shares to be issued will be calculated on the basis of the aggregate Paid-up Value of those Preference Shares.

By: The Chase Manhattan Bank, N.A.  
Principal Paying and Conversion Agent

June 4, 1992

**FREE STATE CONSOLIDATED GOLD MINES LIMITED**  
Registration No. 0528210/06  
**ORANGE FREE STATE INVESTMENTS LIMITED**  
Registration No. 0505715/06  
(Both of which are incorporated in the Republic of South Africa)

**Annual General Meetings**

For the benefit of holders of share warrants to bearer issued by the undemutated companies, notice is hereby given that the annual general meetings of members will be held at 44 Main Street, Johannesburg, on Thursday, 2 July 1992, at the times stated below:

Name of Company	Time
Orange Free State Investments Limited	9:40 am
Free State Consolidated Gold Mines Limited (Freegold)	9:50 am

The business of the meetings will be:

- To receive and consider the annual financial statements of the company (Freegold) and the Group annual financial statements of the company and its subsidiaries for the year ended 31 March 1992.
- To elect directors in accordance with the provisions of the company's articles of association.
- To consider and, if deemed fit, to continue to authorise the directors to allot and issue the unissued ordinary shares in the capital of the company, other than those reserved for purposes of the company's participation in The Anglo American Group Employee Shareholder Scheme, in their discretion in terms of and subject to the provisions of the Companies Act.

Holders of share warrants to bearer who wish to attend in person or by proxy or to vote at the annual general meetings must comply with the regulations of the company under which share warrants to bearer are issued.

Members entitled to attend and vote at the meetings may appoint one or more proxies to attend, speak and, on a poll, vote in their stead. A proxy need not be a member of the company. If required, forms of proxy are available from the registered and London offices of the companies.

By order of the boards  
**ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED**  
Secretaries  
per N B Sinton  
Deputy Secretary  
London Office  
40 Holborn Viaduct  
London EC1P 1AJ

Registered Office  
44 Main Street  
Johannesburg 2001

Johannesburg  
5 June 1992

**WEST RAND CONSOLIDATED MINES LIMITED**  
(Incorporated in the Republic of South Africa)  
Company Registration No. 0101979/06

**CAUTIONARY ANNOUNCEMENT**

Shareholders of West Rand Consolidated Mines Limited are advised that negotiations are currently in progress which could affect the share price. Shareholders will be kept informed of any developments.

Until a



# REPUBLIC INSURANCE COMPANY

**REPUBLIC INSURANCE COMPANY OF DALLAS  
2727 TURTLE CREEK BOULEVARD  
DALLAS, TEXAS 75219  
U.S.A. ("REPUBLIC")**

ANNOUNCES THAT THE AUTHORITY OF PAN ATLANTIC GROUP, INC., AND ITS SUBSIDIARIES AND AFFILIATES ("PAN ATLANTIC") TO ACT ON BEHALF OF REPUBLIC WITH RESPECT TO PAYMENTS, COMMUTATIONS, AUDITS, ARBITRATIONS OR LITIGATIONS ON BUSINESS WRITTEN OR BOUND BY PAN ATLANTIC ON BEHALF OF REPUBLIC HAS BEEN REVOKED. PAN ATLANTIC HAS NO AUTHORITY TO ACT ON BEHALF OF REPUBLIC WITH RESPECT TO THE RECEIPT OF ANY PAYMENT OR THE HANDLING OF ANY AUDIT, COMMUTATION, ARBITRATION OR LITIGATION CONCERNING SUCH BUSINESS. IN ADDITION TO MATTERS CONCERNING BUSINESS WRITTEN IN REPUBLIC'S NAME, PAN ATLANTIC'S AUTHORITY TO RECEIVE PAYMENTS ON REPUBLIC'S BEHALF WITH RESPECT TO RETROCESSIONS, WHETHER WRITTEN IN THE NAME OF THE PAN ATLANTIC REINSURANCE SYNDICATE OR DIRECTLY FOR THE BENEFIT OF REPUBLIC, HAS ALSO BEEN REVOKED.

PLEASE DIRECT ALL INQUIRIES WITH RESPECT TO THIS ANNOUNCEMENT TO:

**REPUBLIC INSURANCE COMPANY  
REINSURANCE DEPARTMENT  
ATTN: NASRI H. BARAKAT  
2727 TURTLE CREEK BOULEVARD  
DALLAS, TEXAS 75219. U.S.A.**

**PHONE NO: 214-559-1564  
FAX NO: 214-559-4274**



## RECRUITMENT

**JOBS:** With ever more managers chasing ever fewer openings, success may depend on guerrilla tactics

## How to get round the secretary barrier

**H**OW do you speak to an angel? That song-title will mean nothing to any but a few fellow-wrinkles among the readership. It was high on the hit-parade (then called the Top Twenty) four decades ago, and the striping Jobs column used to hum it wistfully while pining for the icy Joyce Miller.

Alas for romance! Time soon showed that, where real life is concerned, the question asked by the song is less important than another—to wit: How do you get past a top executive's secretary?

It can still be a conundrum even now, when my request to speak to the chief is backed by the FT's title. In smaller outfits particularly, the secretarial keepers of managerial gates seem programmed to react to the name of any publication with: "We're not interested in advertising."

The more sophisticated, while less direct, are rarely much warmer. They typically respond by professing scarcely credible ignorance as to whether their bosses are in, before adding: "What's it about, please?" And that applies not only to supreme chiefs, but if anything the more so to heads of subsidiary departments such as personnel.

If secretarial gatekeepers are a knotty problem to the likes of me, they must seem an insuperable one to a sadly still growing number of other people. They are executives who've lost their jobs, often through no fault of their own, in a day when many if not most organisations are whittling down their numbers of managers.

At the best of times, official recruiting processes are apt to be more defensive than welcoming. For instance, research by Britain's Institute of Manpower Studies in the buoyant late-1980s showed that the prime concern of most recruiters is not to seek out the right person for a job, but to avoid hiring the wrong one. Now, with more and more managers pursuing a dwindling demand for same, the official defences must be harder to penetrate than ever.

So however much job-seekers may have to offer a company, their only decent chance of being seriously considered is to bend the ear of someone with personal power to make a hiring decision. Which gives unprecedented force to the question of how to get past

top managers' secretaries and, in particular, how to circumvent the road-blocking "What's it about?"

An appealing dodge that I've heard recommended, and by an ex-gatekeeper at that, is to reply: "If he wants you to know, I'm sure he'll tell you."

But whatever relief such a put-down may give to the caller's bruised ego, there is at least one authority who thinks the tactic will usually have the opposite of the desired effect. He is David Werner, a marketing consultant, working from New York. As head of David Werner International he advises executives not only how to package ideas and products on behalf of their companies, but also on how to present themselves to prospective employers.

In his view, the recommended tactic is based on a common misconception about top-level secretaries. Their bosses may speak of them as guardian angels. But the fact is that they have typically been hardened in the fire. They wouldn't be where they are if they hadn't become used to such attempted put-downs, and

learned to counter them with stinging efficiency.

Hence the best strategy, he says, is not confrontation but the devious type. Even so, it is of course imperative to have done your homework on the target company and executive, and the idea you're proposing, as well as ensuring that every checkable fact you voice is true.

As a case study, let's suppose that you have lost your job after a period in Germany and your idea is to extend the company's representation there. When the secretary asks: "What's it about?" a useful beginning is to signal there's a risk of confusion by saying something like: "It's a touch complicated, I'm afraid."

Then, even though the target executive is a complete stranger, continue: "We've met before, but not for some time. I've been working in Germany, and I want to touch base with him because there's a business opportunity I know he'd be interested in."

According to David Werner, the chances are that once the message has been relayed, you'll

be put through. Naturally, the executive will ask how he knows you. But when he does, your reply is: "I'm sorry, I didn't say we knew each other. What I said was we've met before, but for some time I've been working in Germany, and there's a business opportunity there. You see..."

Although whether the idea bears fruit must remain to be seen, you have secured your first objective of getting the decision-maker's ear. True, the price of it has been falsely suggesting that the secretary wrongly reported what you said, but only by misplacing the single word "not" which is surely something any busy person, however efficient, can be forgiven for. Besides, the New York consultant says, "at times like these for executives, getting re-employed calls for guerrilla warfare."

Nevertheless he adds that the canniest guerrillas do not start their secretary-circumventing with a telephone call. They first prepare the ground by sending the target chief a letter of at most 30 lines in length, and nothing

more. (One of David Werner's rules for writing speculatively to employers, as distinct from recruitment consultants, is never send a curriculum vitae at first. That's best left until a chat with the appropriate boss has given more idea of what's wanted.) His pattern for the letter reads:

*Working in Germany recently, I discovered a niche market for a product like yours—one where only three suppliers are active, all importers. The market opportunity, as I see it, would require a modest investment to set up a small assembly plant. Is it your intention to expand in Europe?*

*If it is, and you think a discussion might be useful, please call me. My number is....*

While it's helpful to add any career details that support your candidature, he says, they should be put in a postscript beginning: "In case you wonder who I am.... The PS itself is a valuable aid because experience shows it makes the letter stand out."

What you've written serves as a spearhead for the telephone call a bit later. "The bona fide new

venture," smiles David Werner, "the best by-pass weapon of all." When the secretary asks what your business is, you reply: "The German market proposal I've been in touch with him about."

**T**HEN again, for discarded executives who'd rather change their career than descend to such tactics, there may be help in a new charitable trust. It has been set up in memory of Lord Seeborn, the former Barclays Bank director killed in a road accident in 1990, by his children Richard and Caroline Seeborn, and Victoria Glendinning.

They have so far raised just over £100,000 to provide grants of up to £5,000 for people wanting to change career. The Frederic Seeborn Fellowships will go to applicants who can show a sense of mission or public-service commitment, a fully worked-out career plan, and financial circumstances that either rule out the desired move or put their family unit at risk in making it. Application forms from Judi Barwick, Frederic Seeborn Charitable Trust, 5 Tavistock Place, London WC1 8SS; tel 071-383 2124.

Michael Dixon

### Price Waterhouse

EXECUTIVE SELECTION

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Over the past few years, this major international bank has become established as a prominent name in the financial services sector.

Continued success necessitates strong effective management with the vision and skills to take the Bank towards the year 2000. In this context our client now requires a Head of Operations to join the senior management team. Responsibilities will include managing banking operations, treasury settlements and computer operations, plus some administrative functions.

To fulfil this demanding role, you will have at least 10 years experience in banking operations management, including both knowledge and practical experience of the latest automated banking systems. You should have highly developed management skills with the ability to lead and motivate a diversified team of people. You will be of graduate calibre and probably hold a professional qualification such as ACIB.

The remuneration package will reflect the importance of this

position and the benefits package will incorporate normal banking benefits including non-contributory pension and subsidised mortgage scheme.

Please send a full CV quoting reference number B/1261 to: Barrie Whitaker, Executive Selection, Price Waterhouse Management Consultants, Milton Gate, 1 Moor Lane, London EC2Y 9PB.

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Our Client, a major player in the international securities arena, highly prominent in financial markets worldwide, seeks a dynamic and highly motivated senior lawyer to head its newly formed Transaction Structuring Group.

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For further information, in complete confidence, please contact Stephen Rodney on 071-405 6062 (071-354 3079 evenings/weekends) or write to him at Quarry Dougall Commerce & Industry Recruitment, 9 Brownlow Street, London WC1V 6JD. Confidential fax: 071-831 6394. Initial discussions can be held on a no names basis.



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16 Connaught Place,  
London, W1 2ED  
071-973 8484

**1 ESSEX COURT  
EUROPEAN LAW GROUP**  
The chambers of A.P. Clarke QC wish to expand their European Law Group. Applications for a vacancy based in London are invited from practitioners of at least 5 years call with an established community law-related practice. Applicants should write in confidence to: A.P. Clarke QC, enclosing a career summary, 2 Essex Court, Temple, London EC4T 6AP.

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Trading Assistant: Large U.S. Finance Trading Co. seeks an experienced recent University Grad. with good number skills, computer aptitude, and an interest in financial markets. Position requires a hard worker willing to make sacrifices for potentially rewarding career. Please send CV and covering letter to: Box 10, A1940 Financial Times, One Southbank Bridge, London SE1 8SL.

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**Dillon, Read Securities Limited**

Devonshire House, Mayfair Place, London W1X 5FH

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Please write enclosing a current c.v. to:  
Ms Lotte Olsen,  
Director,  
DC Gardner & Co Ltd,  
5 Harbour Exchange Square,  
London E14 9GE.

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The incumbent should have 5-10 years experience in international tax preferably with knowledge of financial products, be a lawyer or CPA certified, and possess a firm grasp of US tax rules. This is an excellent opportunity for an individual who is numerate, creative and a self starter to expand rapidly and be exposed to global tax systems. In addition, the individual must have outstanding communication skills to deal with all levels of management and external advisors and clients.

In the first instance, please send a full CV, to Rachel Smith at the address below. Please list separately any companies to whom your details should not be sent as applications will be forwarded direct to our client for consideration.

**BERNARD HODES**

BIRMINGHAM • BRISTOL  
CARDIFF • MANCHESTER

Griffin House, 161 Hammersmith Rd,  
London W6 8BS. (Ref. Con.)

## UNESCO Headquarters, Paris

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### Main responsibilities:

Control of the expenditure of the Organization and management of the Payroll, Contracts and Claims and Travel Sections; negotiation and administration of insurance coverage; directly responsible to Comptroller.

### Qualifications:

University degree in appropriate field or recognized degree in accountancy. At least five years' experience in financial administration at managerial level. Authoritative knowledge of computerized financial systems. Fluent knowledge of French or English and good working knowledge of the other.

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\$70,000 approximately per annum for a single person with various allowances for dependants, Social Security coverage and pension scheme.

A detailed CV with photograph should reach:

UNESCO  
Director - Bureau of Personnel  
7 Place de Fontenay  
75700 PARIS - France

no later than 30 June 1992, quoting reference ROC-010  
Only selected candidates will receive a reply.



## TOP OPPORTUNITIES

SENIOR POSITIONS IN GENERAL MANAGEMENT



## Chairman

The President of The Board of Trade seeks a successor to Sir Sydney Lipworth whose term of office is nearing completion.

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- **THE NEED** is for intellect, probity and personal stature of the highest order together with an outstanding record in industry, commerce or the professions.

Written applications and nominations in complete confidence, in respect of men or women, are invited by Nigel Humphreys, Managing Director, acting for the President of The Board of Trade, at:-

ACCORD GROUP  
**TYZACK**

10 Hallam Street, London W1N 6DJ (Fax: 071 631 5317)

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Our client is a U.S. publically owned leader in the air pollution industry. This position reports to the CEO/President, and will likely be posted in Europe. Extensive travel involved.

Compensation package includes competitive base salary, significant performance bonus, car, stock options and full benefits.

Please send complete chronological resume and detailed salary history to: Box A1829, Financial Times, One Southwark Bridge, London SE1 9HL

Volvo Cars Europe Marketing  
Brussels

Volvo Cars Europe Marketing N.V./S.A. is the European Marketing Company of Volvo Car Corporation. Based in Brussels, this office carries full responsibility for the marketing, sales and after-sales activities for Volvo cars in Western Europe and currently employs 83 people of 10 different nationalities.

Volvo Cars Europe Marketing was set up in 1990, following Volvo's decision to divide its commercial activities into four geographic zones: Western Europe, Scandinavia, North America and Intercontinental.

Volvo Cars Europe Marketing N.V./S.A.  
Zeltkasteleweg 12, 1080 Brussels, Belgium.  
Tel.: 32-2-454-22-11. Fax: 32-2-453-28-48

## Manager Sales Operations

to support, coordinate and consolidate the activities for which five Area Managers are responsible.

Main responsibilities are: ☐ achievement of annual sales and profit objectives in all markets; ☐ development and implementation of appropriate marketing plans in cooperation with the Sales Companies in each market; ☐ establishment of optimal product and pricing strategies for all markets.

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He or she should be a good motivator and a team leader who ensures that the above mentioned activities are performed in a manner consistent with established strategies and objectives.

The Manager Sales Operations reports to the Vice-President Car Marketing.

Volvo Cars Europe Marketing offers you a stimulating and challenging work environment and a benefits package appropriate to a quality organisation, including a company car and group hospitalisation insurance.

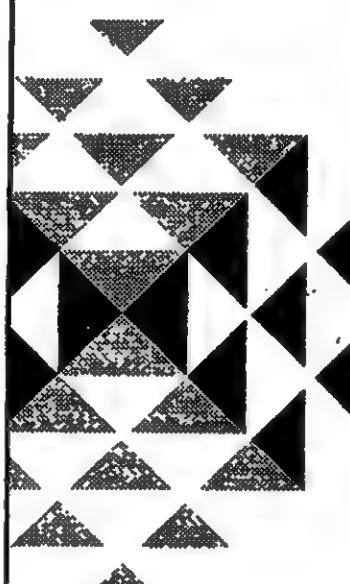
If you feel you could meet the challenge of this position, please write in confidence, enclosing your curriculum vitae and a short description of your current activities and responsibilities to our Personnel Officer, Caroline Breithardt.

**VOLVO**

## BANKING FINANCE &amp; GENERAL

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While maintaining liaison with investors in general, you will plan a programme of external contacts, organise and manage meetings and presentations, and will ensure full, accurate and up to date contacts and meetings records. You will also continuously monitor the standing of the company in the City, provide inputs to investor relations strategy, and will play a key role in the annual and interim results announcement process.

You will have at least five years' experience knowledge of the City and its workings, ideally including an established network of relevant contacts. Financial, economics or business qualifications are appropriate, coupled with the ability to develop and to nurture positive relationships. The ability to present ideas and information with clarity and conviction, and highly developed administrative skills are essential.

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- international strategy and market analysis
- business and network economics \* financial modelling \* business re-engineering

We are now looking primarily for the following **ECONOMISTS** and **BUSINESS ANALYSTS**, but would welcome enquiries from other specialists in the telecoms sector.

- **Young Economists/Business Analysts** with a good first degree in Economics and, ideally, a relevant second qualification such as an MBA or in finance. Probably aged 23 to 28.

- **Experienced Telecoms Executives** with a good first degree and several years' experience in strategy, planning, economics, regulation or financial analysis with an established telecoms company, probably a service provider. Probably late 20s/early 30s.

- **Project Managers** with good telecoms sector experience and proven successful team or project management experience, who can manage large consultancy assignments in the telecoms sector overseas. Relevant backgrounds include a telecoms service company and consultancy.

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We reward well, offering upper quartile salaries and conditions.

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Please send a CV indicating salary and daytime telephone number to Box A1849, Financial Times, One Southwark Bridge, London SE1 9HL

## Stockbroking Opportunity

International stockbroking and investment banking company specialising in the financial industries will be taking on one or two additional people under 30 with minimum two years' experience of the US or European stock markets. Some background in languages, accounting or business studies would be an advantage. This is a career opportunity to join a successful established company.

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Senior Dealer -  
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The successful candidate will have at least five years' experience

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The bank will offer a competitive remuneration package to reflect experience. The post will be based in London. Please write to David Dodd quoting reference number 12065 at MSL Group Limited, 32 Aybrook Street, London W1M 3JL.

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## Asset Securitisation Marketing Europe-wide

Our client, one of the world's leading securities houses, is an acknowledged leader in underwriting, distributing and trading securities. It also provides investment banking and other services to corporations, institutions, governments and their agencies worldwide.

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Ideally in their late twenties or early thirties, candidates will have been actively marketing these products on behalf of a leading house for at least two years. A graduate, preferably fluent in an additional European language, the successful candidate will enjoy a flat managerial structure combined with a committed view to this market. A highly competitive salary and package will be awarded to the successful applicant, reflecting the capabilities and skills required for this demanding opportunity.

Interested candidates should contact Simon Ponsonby at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH or telephone him on 071 831 2000.



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c £40,000

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The Banker, the international banking and financial magazine of the Financial Times Group, seeks an experienced financial journalist to join its reporting team.

The successful candidate will be familiar with bank analysis and the financial markets and have some experience with country surveys. The post offers ideal opportunities for those interested in all aspects of international banking. Regional specialisms and languages would be useful.

In return we are offering an attractive salary, 28 days holiday, subsidised sports facilities, free medical health insurance and an employee share scheme (both subject to service qualification).

Candidates are kindly requested to forward a CV to:  
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The Banker  
102-108 Clarendon Road  
LONDON EC1M 2SA

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Please contact Peter Haynes

Jonathan Wren & Co. Ltd., Financial Recruitment Consultants  
No. 1 New Street, London EC2M 4TP  
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Please contact our retained consultant Simon Clarke at Harrison Willis on 071-439 4463 (Fax on 071-491 4705) or write enclosing a full curriculum vitae to the address noted below.

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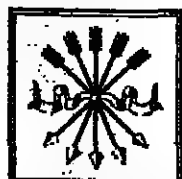
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Need to 40 computer hours and 40 hours of training and development.

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Please apply in writing to: Miss Jessica Chenevix Trench, Eurocom Publications, Nestor House, Playhouse Yard, London EC4V 5EX

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Bank of  
Bahrain



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البحرين  
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The successful candidate will manage and direct the private banking unit with the objective of attaining the bank's business goals through marketing to institutions and individuals in the Gulf. In addition the position calls for major inputs into product and service strategies and liaison with the investment department.

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The successful candidate will manage the bank's and clients' investment and trading portfolios made up primarily of fixed income securities. Besides evaluating, controlling and liaising with outside portfolio managers, the candidate will assist in marketing fixed income and equity products to customers, coordinate with the treasury on funding issues and develop objectives and action plans to achieve the bank's budgeted earnings in this area.

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The successful candidate will manage and execute both spot and forward foreign exchange transactions for the bank and its clients and interact with the money market desk. This position calls for an individual who is highly numerate, decisive and keenly sensitive to market trends.

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David Anderson, Group Finance Director  
The Melville Group plc, Winchester House,  
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## REVIEW OF UK SENIOR FINANCIAL APPOINTMENTS

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## ACCOUNTANCY COLUMN

## Auditors applaud as boat remains unrocked

By Andrew Jack

A STRONG gale blew across Britain last week, when hundreds of accountants sighed with relief as they read the favourable findings of the Cadbury report on the financial aspects of corporate governance. Their opponents might have mistaken it for a blast of hot air.

As something created, housed, funded, widely lobbied and partly staffed by accountants, the Cadbury committee was likely to take a sympathetic view of the profession.

Accountants, their firms and representative bodies often publicly lauded the work of the committee chaired by Sir Adrian Cadbury since its creation in May 1981. Some even seemed to regard it as a panacea for the recent high-profile criticisms of auditors.

But many other accountants – as well as the relatively small number outside the profession aware of the committee's existence – privately conceded the report was likely to be a damp squib. They were not disappointed.

Some interesting and worthwhile proposals are contained in the 70-page report – even some radical ideas, in earlier drafts and suggestions. But most of the strong words have been diluted in the final version, while those that remain have been drowned in a round of congratulatory back-slapping.

"The accountancy profession has done much recently to improve its standards and procedures," the Cadbury committee says. It supports the work by the professional bodies on ethical rules and disciplinary arrangements. It endorses the work of the

Financial Reporting Council, the Accounting Standards Board, the Financial Reporting Review Panel and the Auditing Practices Board. It welcomes the utterings of the Institutional Shareholders Committee.

As a result, it comes as no surprise that the report has been widely welcomed by these very bodies as well as the accountancy firms and some of their blue-chip clients which are already preaching if not practising many of the enlightened ideas on corporate governance put forward.

But some would suggest there is a danger that the committee has been a little too eager to endorse changes already being put in place. One analogy might be the work of the National Audit Office.

NAO reports provide often excellent, searching scrutinies of government departments. But by the time (generally many months) the senior civil servants responsible are summoned to the Commons' Public Accounts Committee to respond to NAO criticisms, the report has already been widely circulated and remedial action taken.

At best, that saves bureaucratic fuss. At worst, it may imply the managers have helped the consultants identify issues they have already identified and feel comfortable rectifying. The result is not always an objective way to look for failures.

In the same way, the heady praise in the Cadbury report needs to be read with a little scepticism. A number of its recommendations sound impressive, but add little that is new. For example, it calls for directors to state whether their company is a going concern, and auditors to report

and give guidance on this judgement. Yet the Auditing Practices Board made just this proposal last month.

The Cadbury committee suggests non-audit fees received by accountancy firms from audit clients should be disclosed. This was made mandatory in an amendment to the Companies Act for financial year ends beginning after October 1 last year.

It also calls for guidelines on rotating audit partners, to ensure a fresh approach. New ethical guidelines published by the Institute of Chartered

holders as individuals or to third parties.

Second, the potential conflicts facing an auditor conducting non-audit work such as consulting for its client, thus receiving large fees which may threaten independence and being in the position of auditing the work of other parts of its own firm. Other than suggesting disclosure of non-audit remuneration – which does nothing to identify conflicts which may arise – the report rejects calls for change on either of these two issues.

There are, however, positive aspects to the report. Its suggestion of an auditors' review of interim statements – which should include balance sheet and even cash flow information – may help reduce the scope for manipulating figures in the period between audited annual accounts. Legislation to protect auditors in non-regulated industries if they alert the authorities of fraud would also be welcome.

Outside the remit of the accountancy profession, there are also some excellent recommendations. Ensuring that directors' contracts are re-approved by shareholders every three years, increasing the powers of high-quality, independent non-executive directors, developing strong internal control systems, and creating effective audit committees are among the more praiseworthy objectives.

But all these findings ultimately boil down to enforcement. As the report itself notes, "The machinery [for raising expectations of corporate behaviour] is in place. What is needed is the will to improve its effectiveness."

Yet that pressure relies on an

entirely voluntary system of compliance. The backbone of the report is a code of practice. Companies must cite whether they have complied with the code in their annual reports, on threat of de-listing by the Stock Exchange if they do not. It is then up to shareholders to exert pressure if they are not complying.

Whether shareholders and other users of accounts will exert such pressure is questionable, certainly if their apathy in responding to the draft proposals so far issued by the Accounting Standards Board is anything to go by. The quality of corporate governance is likely to be less important to them (particularly after the end of the recession) than a good return on their investment.

Equally, whether the Stock Exchange will embrace the concept of the de-listing threat – at a time when it is concerned to ensure London is an attractive financial centre – remains to be seen.

The wider recommendations in the Cadbury report ultimately come back to the auditors. As well as their involvement on particular points – such as "reviewing" interim statements – they are called on to review the company's overall compliance with the code of practice.

The firms may balk at the idea of taking on this additional responsibility, which could make them a good deal more vulnerable to criticism. Alternatively, they may be able to hide behind the ambiguities that a "review" rather than a full, legally-defined audit permits. Their agreement to play along with the spirit of Cadbury may be the last chance for a voluntary code to work.

## ACCOUNTANCY APPOINTMENTS

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You should be a qualified chartered accountant of graduate calibre who can demonstrate an extremely successful track record in a service industry. As well as a keen commercial sense you must be able to show evidence of managing multi-disciplinary teams and the process of change. You will probably be aged around forty.

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Should you feel equal to this demanding and rewarding role, please send a career résumé, quoting reference 3261 to Bruce McKay, Touche Ross Executive Selection at the address below.

Touche Ross



MANAGEMENT CONSULTANTS

1st Floor, Hill House, 1 Little New Street, London EC4A 3TR. Telephone: 071 936 3000.

## STRATEGY CONSULTING

## CHARTERED ACCOUNTANT

Arthur D. Little is one of the world's leading management and technology consulting firms. Our Corporate Finance Advisory Services Practice works with investors, bankers and companies to assess and help manage business risks associated with a particular transaction in a wide variety of industries. Recent assignments include work in electronics, telecommunications and entertainment, aerospace and engineered products, electricity, oil and gas, waste disposal, chemicals and pharmaceuticals.

We are now seeking a graduate Chartered Accountant who has trained with a major firm and who now wishes to develop strategy consulting skills using financial management techniques. Ideally aged between 24 and 29 with a high degree of commitment, personal initiative, excellent analytical and communication skills, the successful

candidate will work in a London-based team both in the UK and internationally. There will be excellent opportunities to use a full range of professional skills, working closely with top management, to improve client company performance in a challenging international environment.

Arthur D. Little is an employee-owned company which has an enviable reputation for its dedication to excellence, its leadership in its areas of expertise and total commitment to clients' success. It is also a company which provides excellent opportunities for structured career development and encourages early responsibility.

Please reply with a complete curriculum vitae to E. H. R. Lyne, Arthur D. Little Ltd., Berkeley Square House, Berkeley Square, London W1T 1XEY.

Arthur D Little

## WEST OF ENGLAND

c £75,000 + INCENTIVES

## Group Finance Director

A main board appointment in a £130 million turnover PLC. Despite operating in one of the sectors hardest hit by the recession, the group has sustained a sound financial base and above average performance. They have benefited from controlled and focused organic growth in the 1980s, key elements of which were the devolution of responsibility to a regional structure and a commitment to the highest standards of product and service.

Part of a small and energetic board your role will be broad and influential. Financial control is being improved by major systems enhancements and you will be extensively involved in this. Clearly there will be heavy city and institutional involvement in a position which is at the same time strategic and operational in the need to work closely with the regional structure to maximise profit potential.

Aged in your 40s you will have PLC experience in groups renowned for tight financial control. Familiarity with how such control is exercised in a regional or divisional structure is expected as is wide city experience, a strong systems literacy and the commercial breadth to make a major contribution within the group.

Please send full personal and career details, including daytime telephone number, in confidence to David Owens, Coopers & Lybrand Executive Resourcing Ltd, 43 Temple Row, Birmingham B2 5JT quoting reference D424 on both envelope and letter. Telephone: 021-200 4232.

Coopers &amp; Lybrand

Executive Resourcing

## Group Accountant

West of London

£30,000 to £35,000 plus car and benefits

Our young, highly-regarded client is an international PLC with an annual turnover in excess of £800m. Following a period of acquisition and organic growth, which has resulted in a 30% increase in turnover during the last two years, the position of Group Accountant has been created to strengthen the group financial function.

As a key member of the small head office team you will report to the Group Chief Accountant and will assist him in the consolidation and analysis of financial information from five divisions. This broad role will also involve you in the head office accounting function; treasury management; the integration of acquisitions; the

provision of technical support to group and divisional management; the coordination of year-end activities; and various ad-hoc exercises consistent with the operations of a growing and dynamic PLC.

You will bring computer-literate, qualified accountancy with consolidation experience gained at manager level within the profession, or at group/divisional level within industry. Ambitious and practical, you will probably be aged 25 to 32, with excellent communication and technical skills. Opportunities for personal progression within the group will be good.

BDO CONSULTING

Please reply, in confidence, with concise career and salary details and a daytime telephone number, quoting reference 1689, to Richard Holland at the address below.

BDO Consulting, 20 Old Bailey, London EC4M 7BH.



## BUSINESS ANALYST

South Coast

c£35,000 + Car + Relocation

In this highly profitable and entrepreneurial international service Group, ambitious expansion has created the need for a commercial Accountant. The role of Business Analyst is new and will contribute to the company's success by providing key strategic advice. Firstly, an examination of all areas of the company's operation, highlighting control weaknesses or inefficiencies, is necessary. This will require a diplomatic attitude and sound business acumen. Secondly, you will provide performance analysis of competitors and potential acquisitions, including operational review and balance sheet/profit and loss scrutiny.

A qualified Accountant, aged 28-35, you will be currently working for a consumer goods or retail/distribution company in an operational role, involving a considerable degree of contact with non-financial management. You will be ambitious, outgoing, confident and self-motivated.

This is a demanding role which reports to the FD and is likely to develop into either a top-level commercial or financial appointment. Based at Group Head Office the role is highly visible and requires excellent academic qualifications in addition to a strong personality.

Please apply directly to Richard Carter at Robert Half: Freeport, 6 The Carranades, New Road, Southampton SO9 1BG. Telephone: 0703 23331. Alternatively, fax your details on 0703 23850.

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THE HUMAN FACTOR

BBC

## Head of Finance

c£40k\*

Network Television, an organisation with a cost base of approximately £750 million, is undergoing a period of rapid structural and systems change.

As a response to this a requirement has been identified for a high calibre finance professional. The individual selected will fill a newly created position responsible for the provision of a comprehensive financial accounting and business support service to senior operating management.

The successful applicant will be an exceptional qualified accountant with the experience and maturity to manage a department of 100 people during a period of major systems development and organisational change.

\*Relocation expenses, car and benefits for suitable candidate. Based West London.

Further details may be obtained from Julian Elbert, Chief Accountant, Television on 021-676 1555.

For an application form contact (quota ref. 10204/F) David Walker, Personnel Manager Resources, BBC, Room D434, Centre House, 56 Wood Lane, London W12 7SE. Telephone: 021-676 1454.

Application forms to be returned by June 18th.

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## Corporate Finance & Strategy

Quoted British Plc

To £40,000 Package

Midlands

A talented young business graduate is sought to work closely with the Group Finance Director at the heart of a dynamic multinational business. The role is exceptional in combining a broad range of ad-hoc finance assignments with strategic market analysis.

### THE COMPANY

- ◆ £300m turnover British Plc with successful operations in UK, USA and Europe.
- ◆ Highly focused on core businesses with exceptional record of earnings growth over ten years.
- ◆ Conservatively geared with dynamic but prudent growth strategy.

### THE POSITION

- ◆ Key member of small head office team. Report direct to Group F.D. Close liaison with subsidiaries in UK and overseas.
- ◆ Develop competitor and market analysis capability to support investment and strategic decisions.

- ◆ Diverse financial project work including capex review, acquisitions and financial systems.

### QUALIFICATIONS

- ◆ Highly numerate MBA, aged 28-35, preferably with accounting qualification.
- ◆ At least 2 years relevant experience in industry, commerce or the city.
- ◆ Flexible, quick witted, pro-active, team player. Commercial acumen, diplomacy and credibility.

Please reply in writing, enclosing full cv.

Reference BL2200  
NBS, Bennetts Court, 6 Bennetts Hill,  
Birmingham, B2 5ST

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## Financial Controller

Process Manufacturing

c.£40,000 + Car & Benefits

South East

First class opportunity for a commercial and robust Finance Manager to play a key role in the development of the principal operating subsidiary of successful and growing PLC.

### THE COMPANY

- ◆ Major manufacturing operation with £40m turnover and 300 employees based on one site.
- ◆ Part of quoted UK-owned group with respected senior plc management team.
- ◆ Well resourced with strong balance sheet and poised for growth.

### THE POSITION

- ◆ Chief financial officer with responsibility for financial and management accounting and control. Report to MD.
- ◆ Hands-on role evaluating and upgrading management and financial information and systems. Control substantial capital expenditure programme.

- ◆ Drive corporate business plan. Lead and develop accounts team of fifteen.

### QUALIFICATIONS

- ◆ Qualified Accountant, aged 32-40, with sound financial management, costing and investment appraisal skills, ideally from process manufacturing.
- ◆ Energetic and results orientated manager used to working in a pressurised environment.
- ◆ Tough but diplomatic leader with the vision and ability to motivate a young team.

Please write, enclosing full cv, Ref 110530  
54 Jersey Street, London, SW1Y 6LX

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## V.P. BUSINESS ANALYSIS

C. LONDON

30 - 40

TO £ 50,000 + BANK BENEFITS

This leading, well capitalised, US financial services institution has a strong product range and extensive franchise. With this competitive edge, it is seeking to improve customer service by further developing its product range and Market coverage.

Reporting to the Vice President, Financial Control, the role will involve the management of a highly motivated and experienced team. It will encompass the preparation and production of management information,

analysis of business results, strategic planning, forecasting, and systems automation, as well as having responsibility for liaising with Business Managers in the UK, Europe and USA.

The ideal candidate will be a graduate qualified accountant, currently working for a financial institution and looking to further his or her career in a dynamic international organisation.

The successful individual must display excellent

business analysis, technical, and interpersonal skills as well as being able to demonstrate commercial flair.

This position offers some international travel and further career prospects within the institution are excellent.

Interested applicants should write to: Robert Walters Associates at 25 Bedford Street, London, WC2E 9EP, quoting reference GD/RW 166.1.

ROBERT WALTERS ASSOCIATES

LONDON WINDSOR BIRMINGHAM BRUSSELS AMSTERDAM PARIS

### EUROPEAN CREDIT MANAGER

The Muehlstein Company, a wholly owned subsidiary of the Mobil Oil Corporation, has recently established a new company in the UK. Muehlstein is a leading international marketer of polymers for the plastics and rubber industries. The company has 25 sales offices in Europe, in the Americas and the Far East and buys and sells more than 750,000 tonnes of raw materials annually. The UK operation has assumed key European responsibilities and global management for the Group's synthetic and natural rubber business.

A Credit Manager is now required to establish a European-wide professional credit function for the Company. The person selected will have the following background/experience:

- \* University graduate.
- \* At least five years experience in a European credit control function, preferably in a related industry.
- \* Thorough knowledge of European market terms and conditions of sale.
- \* Knowledge of international remittance practices and procedures.
- \* Ability to integrate with a diverse European sales team.
- \* Fluency in at least two European languages in addition to English.

The position will command an attractive compensation and benefits package.

Please send your CV on one page only to:  
The Personnel Director  
Muehlstein (UK) Limited  
Edenfield  
London Road  
Bracknell  
Berkshire RG12 2XH

## FINANCIAL RISK MANAGER

■ This is a superb opportunity to join one of the UK's leading financial services organisations. With a turnover of £200m, the company provides credit to a national network of motor dealerships.

■ We are seeking a qualified (or part qualified) accountant to control the financial risk assessment process, analysing dealership accounts, co-ordinating financial arrangements and acting as a focus of financial expertise and communication. The role will involve substantial UK travel, close contact with dealers, and the development of financial awareness within the sales force.

■ Probably aged between 28 and 40, you should have a full understanding of credit risk management and be able to demonstrate sound business acumen. Knowledge of commercial lending or the motor trade would be beneficial, but it is not essential. This position would suit an accountant seeking to broaden and develop a career within a dynamic commercially-orientated business.

■ The company offers an excellent benefits package, including a base salary of £28,000, bonus, company car, preferential mortgage scheme, BUPA, pension and generous relocation assistance to an attractive rural location in the North.

■ To apply, please send your CV, in confidence to: Tim Smith, Theaker Monro & Newman, Wrens Court, 60 Victoria Road, Sutton Coldfield, West Midlands B72 1SY (021 355 8868) quoting ref: 3029.

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North  
c £28,000  
Car  
Excellent  
Benefits

**THEAKER  
MONRO  
NEWMAN**  
RECRUITMENT & PERSONNEL  
CONSULTANTS

## GROUP FINANCIAL CONTROLLER

■ This well-established, profitable and acquisitive transport, travel and leisure group, with £17m+ turnover and plans for further investment and growth, is seeking a high-calibre Group Financial Controller to join its senior management team.

■ Reporting to the MD, with broad responsibilities, including statutory and management accounts, cash management, and capital investment appraisal, you will influence operating company managers in order to enhance financial disciplines and systems. This expanding group will provide plenty of opportunities for you to further develop the role, including involvement with acquisitions.

■ You are probably 30+ and a graduate ACA with good technical and computer skills. Your post-qualification experience will ideally include a financial accounting role in the service sector. Persuasive, determined and goal-orientated, you will favour a focused, but flexible and sensitive, approach to achieving objectives. Rewards include a good salary and performance-related bonus.

■ Please send your CV to: Stan Dickinson, Theaker Monro & Newman, Suite 2A, Joseph's Well, Park Lane, Leeds LS3 1AB quoting ref: 1086

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**LORNAMEAD**

FINANCIAL DIRECTOR

c. £40,000 + Bonus + Car + Benefits

Lornamead Ltd is a well established family owned business with a turnover of \$14 million, principally trading in toiletries, wines & spirits, foods and pharmaceuticals in both UK and overseas markets. It operates under a variety of brand names of which "Celsius" in the male toiletries sector is best known in the UK.

The Company is seeking a well experienced Financial Director to be based in the London head office, reporting directly to the Chief Executive. This is a key appointment encompassing treasury, tax, finance, pensions, insurance and management information. It will involve a close working relationship with senior management in Sales, Marketing and Operations, with active participation with other Board colleagues in the strategic evolution and growth of the Group.

The successful candidate will be aged between 35-40 and must be a qualified Chartered Accountant with a proven track record of effectiveness in all aspects of Financial Management, including the development of control systems, and have a high degree of computer literacy. Experience will preferably be gained in a trading or commercial environment.

Please write in confidence with full career details to the  
Chief Executive, Lornamead Ltd, Lornamead House,  
1/5 Newington Causeway, London SE1 6ED.

## ARE YOU OVER 40?

- and maybe a little disillusioned?

If you are a qualified accountant with a strong commercial background, preferably in a retail company or with a supplier to the retail trade, we may be able to offer you an escape from company politics and an opportunity to reap the rewards of your own efforts.

We are a small group of self-employed professionals (just 18 of us) carrying out an unusual service for our clients who include most of the country's leading retailers. We review their records for archived overpayments and our fees are based entirely on recoveries made. Amounts recovered are frequently very significant and, after twelve years' experience, we rarely now find a review which is unproductive. It is challenging and rewarding work, sometimes frustrating, often fun! Average gross fees earned last year were over £50,000.

We are currently looking to strengthen our representation in most parts of the Country and so, if you believe you have the positive, lively, self-motivated approach necessary for this work, please send c.v. in confidence to:

Peter Bennett FCA, Tring House, 77-81 High Street, Tring,  
Herts. HP23 4AB

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STEPHANIE COX-FREEMAN  
071 873 4027



# ALPS

## ACCOUNTANCY & LEGAL PROFESSIONS SELECTION LTD.

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Key appointment, as member of senior management team, for a strategic thinker who thrives in a busy and dynamic environment

ALPS

### FINANCE DIRECTOR

EASTERN ENGLAND

£30,000-£35,000 + BENEFITS + CAR

ONE OF THE FASTEST DEVELOPING NHS HOSPITALS AIMING FOR TRUST STATUS APRIL 1993.  
T/O IN EXCESS OF £20m.

We invite applications from qualified accountants, aged 30+, who must have had at least 4 years' demanding and varied management accounting experience, which will have been gained within a large organisation (500 plus staff), either in the commercial or public sectors. The selected candidate, who will report to and work closely with the Chief Executive, will be responsible for developing appropriate policies and giving the strategic advice which will influence the management team and hence make a significant impact on the future direction of the Trust. Operational responsibilities, through an established accounting team, will include setting-up and running systems required to manage an effective Trust as well as the successful operational control of the Finance function. Essential qualities are clarity of thought, excellent written and verbal communication skills, computer literacy and to be a good team player. Initial salary negotiable £30,000-£35,000 (review in November) plus performance related bonus, car, contributory index linked pension and removal expenses if necessary. Applications, in strict confidence, under reference FD219/FT, to the Managing Director: ALPS.

c.£60,000 +  
Substantial Bonus  
Potential + Benefits

Major  
Investment Bank

City

## Global Finance-Operations

A unique management remit for an astute commercial mind to head the operations team supporting the prominent securities activities of this prestigious name. The Bank is recognised as one of the global elite and consistently generates record profitability and ROE through sound risk management. A flat management structure has created a dynamic environment striving for business efficiency, allowing its managers to make a significant strategic impact. Career prospects are excellent.

### THE ROLE

- Lead a highly efficient team of 20 professionals in maintaining all aspects of tight operational control. React immediately to business problems while closely monitoring the Bank's position on tax, credit and compliance issues.
- Make a strategic impact by consistently seeking to improve business efficiency, identifying opportunities by networking with the trading floor, financial control, technology and global counterparts.
- Manage and motivate the team, keeping a finger on the pulse while delegating responsibility. Report to the business manager with additional responsibility for special projects.

London 071-973 0889  
Manchester 061-499 1700

Selector Europe  
A Spencer Stuart Company

### THE QUALIFICATIONS

- High calibre graduate, aged 30 and over, with thorough knowledge and understanding of operations management in a trading environment. Likely to be a trained accountant or MBA, coming from an operational, financial control or audit background.
- Evidence of strategic input combined with the stature to handle a range of fiscal issues critical to business efficiency. Adept at interacting with traders and senior managers.
- Excellent communicator, capable of influencing at all levels across the organisation. Confident, tenacious and resilient with the aptitude to manage in a flat matrix structure.

Please reply, enclosing full details to:  
Selector Europe, Ref E7101062L,  
16 Crenshaw Place,  
London, W2 2ED  
071-973 0889

## Financial Controller

Hertfordshire

c£38,000 + Car

Our client is one of the country's leading independent flour millers and suppliers of specialist food ingredients. Founded in 1857, this family-run company has expanded production to three sites and currently turns over c£25 million. Much of their success can be attributed to a high level of investment in technical product development and the ability to identify and develop specialist markets. The company's prestigious customer base consists largely of well-known FMCG companies.

In order to strengthen its financial and commercial expertise, the company is seeking to appoint an ambitious, qualified accountant with strong communication and technical skills, and the ability to become an integral part of the senior management team. The successful candidate will report to and assist the Managing Director, and will be responsible for all aspects of finance, administration, systems, reporting and control. The Financial Controller will be expected to provide significant commercial input to new business development.

Prospective candidates must be qualified accountants, preferably graduate ACA/ACMA (aged 30-45) with a successful track record of managing a finance function in a product-orientated sector. Individuals who have worked in a multi-site environment and have developed management information systems will be of particular interest. Above all, candidates must be able to demonstrate energy and commitment together with the confidence and presence to command respect both within and outside the organisation. Applicants should be able to offer both a 'hands-on' approach to the business and the intellectual ability to contribute to strategic decisions.

In return the company offers a generous remuneration package and the prospect of a full Board position within the next eighteen months to the successful candidate. For further information, please write (enclosing a full CV, salary details and daytime telephone number) to:  
Dan Chavasse, Michael Page Finance,  
Centurion House, 136-142 London Road,  
St Albans AL1 1BA. (Quote ref: LN6464).

MP

Michael Page Finance

Specialists in Financial Recruitment  
London Bristol Windsor St Albans Leathershead Birmingham  
Nottingham Manchester Leeds Glasgow & Worldwide

## Commercial Controller

South Midlands

c £35,000 + Car + Relocation

Our client is a substantial UK subsidiary of a major multi-national corporation. Involved in the food industry they have shown dramatic growth in recent years and are currently poised to open a new operation on the continent, further expanding their markets and capacity.

This growth has been mirrored by the increase in both size and strategic importance of the sales and marketing division. Combined with the increasingly complex nature of the business, this has created an excellent opportunity for a Commercial Controller. This is a highly visible opportunity to improve overall company performance, through a substantial upgrade of the financial/administrative systems and services.

Reporting to the Sales and Marketing Director, and managing some 25 staff, the role is responsible for providing financial control and commercial decision making support to the Sales and Marketing Division. Key areas of accountability include:

- Monitoring margin and volume performance

- Financial/Operational controls and systems
- Forecasts and budgets
- Financial and administrative support services to sales and marketing functions

The successful candidate will be a commercially orientated graduate calibre qualified accountant, with at least five years post qualification experience in a manufacturing/FMCG type company. Having had responsibility for a team of six or more staff, you will be highly self motivated, confident, determined and decisive with outstanding interpersonal skills. This is a key position and the company is looking for a candidate who after succeeding in this position would be promotable to Finance Director.

Interested candidates should write to Oliver Howl  
BSc ACA at Michael Page Finance, Bennetts  
Court, 6 Bennetts Hill, Birmingham B2 5ST,  
enclosing a current curriculum vitae.  
Please quote reference OH132.

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### CHARTERED ACCOUNTANT

Seeks short, medium or long term assignments in London or Greater London area. Extensive experience in manufacturing, engineering, selling and distribution and service sectors of industry and commerce.

Please call 071-584 7149 (Answerphone)

### Expert in Indian company law & taxation

with at least 15 years practical experience.

Preferably FCA (India).

Must be authorised by Department of Trade & Industry to practice as an auditor in UK.

Apply to Joseph & Co, 128 East Barnet Road,  
New Barnet, Herts EN4 8RE

## Ambitious Young Accountants

Thames Valley

Attractive Package + Car

Our client is the recognised world leader in its specialist fmcc field, with an enviable reputation for success and quality.

The challenging marketing objectives for the future require a responsive and creative financial management team who will play an important role in developing the business.

Recent reorganisations have resulted in opportunities for top flight, ambitious young accountants with a strong commercial orientation and the potential for further progress.

You should be professionally qualified, probably a graduate, in your early 30s, with at least five years' post-qualification experience and a proven fast-track record. In addition to experience in financial accounting, the roles require skills in areas such as: management

reporting and planning, credit management, customer service, targeting, and man-management.

Above all, being a Company with a strong commitment to management development and succession planning, we are looking for quality accountants with long-term development potential.

The positions offer a first class benefits package including an attractive salary, car, non-contributory pension, life assurance, long term sickness protection, and free private health insurance, and an exceptionally attractive working environment.

Please write in confidence, enclosing full career and salary details, stating how you meet the above requirements, to Paul Banfield, Ref: 23076, MSL Group Limited, 32 Aybrook Street, London W1M 3JL.

MSL International

CONSULTANTS IN SEARCH AND SELECTION

## Tax Free Management Opportunities

Jeddah, Saudi Arabia

This leading Saudi-based food manufacturer and distributor is ranked amongst the top 50 companies in the Kingdom. A dynamic and forward-looking group, our client enjoys considerable commercial success and is currently embarked upon a major programme

of global expansion, through both organic growth and acquisition.

To help bring its plans to fruition, our client now wishes to further strengthen its Finance Division through the appointment of the following professionals:

### Manager - Management Accounting & Control

up to \$40,000

This important post will involve leading a team responsible for the operation and development of the management accounting systems, and for reporting operational results to senior management. You will also control the budgeting and forecasting processes, which will involve working closely with the operating companies world-wide, and assist in the implementation of TQM within the group.

This senior appointment calls for a professional accounting qualification, supported by at least 5 years' experience gained within a major multi-national organisation in a management accounting, audit or consultancy role. Practical knowledge of the development of computerised management information and accounting systems would be particularly valuable. Ref: A33083.

### Manager - Management Audit

up to \$32,000

Leading a professional head office team, you will provide management audit support for the group on an international basis. Your role will also involve auditing financial reviews of investment projects and conducting due diligence studies of acquisition targets.

A qualified accountant, your 5+ years' relevant experience within a multi-national organisation will have included the development and/or audit of computerised accounting, costing and management systems. An understanding of activity-based and process costing is also desirable. Ref: A33084.

### Manager - Acquisitions & Investments

up to \$32,000

You will have the vital task of assisting senior management in the international search for corporate acquisitions and investments in the food and related industries. The financial analysis, evaluation and risk assessment of potential acquisitions and development pro-

jects will be important aspects of your work. An MBA or possibly a qualified accountant, you must have at least 2 years' post-qualification experience in a similar role. Ref: A33085.

These posts are offered initially on a 2 year, married status, contract with good prospects for renewal. The generous benefits include: high quality free accommodation, home leave with paid air fares, medical insurance and education allowances. Shortlisted candidates may be invited to the group head office in Jeddah to meet senior management and find out at first-hand the

personal and professional advantages of living in Saudi Arabia and working for this progressive company.

Please write - in confidence - with full career and salary details, including a day-time telephone number, to Ghassan Yazigi, MSL Group Limited, 32 Aybrook Street, London W1M 3JL. Please quote the appropriate reference number.

MSL International

CONSULTANTS IN SEARCH AND SELECTION

## Planning Accountant

London

£Excellent

Part of a market leader in the field of global telecommunications, our client has achieved tremendous growth through its commitment to long term planning, quality of service and technological advancement.

As a result of continued success it seeks to appoint a finance professional who will provide accounting support for this key division. The responsibilities of the job will include:

- supervision of operational accounting activities for the constituent parts of the group
- decision support activities for investments
- contributions to and appraisal of business cases
- consolidation and presentation of five year plans
- analysis and presentation of management budgets and forecasts

Liaison with senior commercial managers

from non finance disciplines is an integral part of the role and as such strong interpersonal skills will be a key personal attribute.

The successful candidate will be a qualified accountant with 2 years PQE, have experience of mainframe accounting systems and be comfortable operating within a multi-disciplinary team. Working knowledge of financial budgeting and capital accounting within a long term project based environment is required, together with extensive experience of Excel spreadsheet packages.

The environment is a results orientated meritocracy and as a result long term prospects are excellent for high achievers.

Interested applicants should contact Peter Gerrard at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH or telephone 071 831 2000.

MP

Michael Page Finance

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## Finance Director

North of England to £60,000, Car, Bonus, Equity  
Market Leader • Growth Industry • Total strategic and commercial involvement • Excellent package with Equity Participation and relocation • This is an exceptional opportunity.

### CONTEXT

Astra Training Services is the UK's leading training provider. • They seek an outstanding finance professional to work closely with the Managing Director as part of a small executive team. • The objective is to achieve profitable development of this £40 million turnover business within a dynamic, rapidly evolving marketplace, whilst simultaneously exploiting the potential of the company's substantial property portfolio.

### ROLE

Key contribution to strategic and commercial decision making. • Total responsibility for financial reporting and control. • Strong leadership of department of 24 staff. • Development of management reporting systems.

### QUALIFICATIONS

Qualified Accountant aged 35 to 45. • Decisive, tough, radical thinker with strong intellect. • Credible at the highest level. • Proven track-record of success in the management of change, ideally in a multi-site service sector environment.

Please reply in writing to 174a Ashley Road, Hale, Cheshire WA15 9SF enclosing a full curriculum vitae and quoting Reference RBH 1017 to arrive no later than 15th June 1992. Telephone: 061 929 9105 Facsimile: 061 929 8023



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The function of Internal Audit is being re-established as a fundamental part of the drive to improve the general quality of financial control and reporting throughout the group. Reporting to the Group Finance Director, your principal tasks will be to ensure that appropriate financial procedures and controls are documented and implemented and to instigate cost-effectiveness reviews.

You will probably be a graduate chartered accountant in your late 20s or early 30s, and will have managed significant audits within a major accountancy practice.

Internal auditing experience in a blue-chip business would also be an advantage. The job holder will be based in the UK but will undertake considerable overseas travel. The job offers a high performer outstanding prospects for career development.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence, to Peter Jones, Coopers & Lybrand Executive Resourcing Ltd, Abacus Court, 6 Minshull Street, Manchester, M1 3ED, quoting reference P234 on both envelope and letter.

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## DENNIS PUBLISHING LTD

### FINANCE DIRECTOR

London c. £40,000 + benefits

Dennis Publishing Ltd, one of the UK's leading independent publishing companies is seeking a suitably qualified accountant for a newly created position arising from the expansion of the business. The company is entrepreneurially led and has experienced rapid growth over the last few years, currently employing 180 people with a turnover in excess of £20m.

The Finance Director will report to the Managing Director and be a member of the Executive Board, taking responsibility for a staff of 12 covering financial and management accounts, personnel and administration. The accounting systems are fully computerised, using CODA accounting software.

Preferred candidates will be aged around 35 and have considerable post-qualifying experience outside the profession, ideally with some experience within the field of periodical publishing. They must be good communicators, able to provide senior colleagues with support for the production of profitable and successful titles, to encourage rapid and reliable preparation of accounts, budgets, financial reports and cash management and to assist and advise on the company's financial requirements.

Please reply in confidence with a comprehensive curriculum vitae including details of current remuneration and a daytime telephone number to D.E. Shribman at Hudson Shribman, Vernon House, Sicilian Avenue, London WC1A 2QH (Fax 071-404-5773).

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## FINANCIAL CONTROLLER

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Our client is one of the leading firms of solicitors in London with several international offices. It offers a comprehensive range of legal services to both large and small clients, in a wide range of different sectors. Although the firm is well established it is also one of the most progressive with a distinctive approach to its clients' problems.

A Financial Controller is now required, to be responsible to the Director of Finance and Administration, for the management of the Finance function which has about 15 staff. Duties include provision of a comprehensive management information service to the firm, and also involve partnership secretarial services, ongoing development of computer systems, tax, undertaking special projects and liaison with auditors, bankers and other professional advisors.

Candidates for this position are most likely to be qualified graduate accountants aged 35 to 50 years. Experience in staff management in a senior financial position in a professional partnership, preferably legal, is essential as is the ability to apply conceptual thinking to a wide variety of financial problems.

The attractive remuneration package includes the normal range of benefits commensurate with a position of this seniority.

Please send your career and current salary details, together with a daytime telephone number, to Richard Brasher at the address below:

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Tectonic Place, Holyport Road, Holyport,  
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## SOUND MOVE

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Mayking Records Group is the U.K.'s leading independent manufacturer of C.D.s, records, cassettes and videos - a position maintained through consistently excellent products and services and close financial control.

Recent expansion, including a major increase in C.D. production capacity at our S.W. London H.Q., has created the need for an In-House Accountant to implement that control in both the C.D. and cassette areas.

We are looking for a talented, part-qualified individual (although we will consider fully qualified applicants), who is looking to become involved right across the spectrum of cost and management accounting, from the preparation of books, cash flow, profit and loss, funding arrangements and control of overheads to the provision of full management accounts and year end audits under the guidance of the group Financial Controller.

This is a sophisticated and fast-moving manufacturing business - the ideal environment for honing your already considerable skills and applying them at the sharp end of commerce where accuracy and fast responses are vital. You will emerge well qualified and well able to cope with all aspects of financial control. Salary and benefits will be commensurate with your age and experience.

For more information, phone Rizwana Niaz on 071-924 1661 or write to her at Mayking Records, 250 York Road, Battersea, London SW11 3SJ.

**MAYKING RECORDS**

## Financial Controller

CONSUMER PRODUCTS MANUFACTURER

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## Experience Eastern Europe



DHL, a private company, is the world's leading air express delivery company. It provides timely deliveries of time sensitive documents and packages to nearly 70,000 towns and cities. With the addition of only a few more countries, DHL will have achieved total world-wide coverage.

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### Financial Controller - Poland.

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Salaries range between US\$4,000 to US\$28,000 tax free and benefits include: a generous housing allowance, fully expensed car plus flight home.

These are challenging and exciting opportunities with a dynamic fast growth organisation.

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Qualified and commercially experienced accountant required for a major trade contractor in the Construction Industry based in London (NW2), with offices in the Wakefield and Scotland. A keen, hard, flexible worker with strong character and good interpersonal skills, working in a hands-on demanding environment, he/she will report to the Directors. Responsibility will be for managing the accounting function and all other financial activities of the business. For a person with ambition, initiative and creative flair there will be involvement in the development of the business and the prospect of promotion.

Salary and benefits package commensurate with the position will be offered.

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## Financial Controller

help shape our future

c £50K  
+  
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Benefits

Our client is a £100m turnover UK subsidiary of a \$3 billion US corporation which is the world leader in its field of specialised electronic components.

Due to an international promotion there is a rare opportunity for an outstanding, professionally qualified accountant to lead this organisation's UK finance function, and also to act as Company Secretary.

You will have at least 10 years relevant experience, and your recent employment must include the 'hands-on' management of a finance department in a significant manufacturing company. This will ideally have produced components or small sub-assemblies in relatively high volumes, and will probably have been a subsidiary of a US parent.

Practical experience of US accounting and reporting practices is essential, and you must be thoroughly competent in tax and treasury matters, in addition to your general accounting skills. You will ideally have had involvement in pension matters and will certainly be computer literate.

You have an outgoing personality and will see yourself as a leader, not just a manager, of the 30 plus staff for whom you will be responsible.

This is an excellent opportunity to join a truly multinational organisation with an enviable growth record. Reporting to the General Manager of the UK company, you will be a key member of the management team and will share in their high level of freedom to shape the future of the business and ensure its continued success.

The attractive salary and fully expensed executive car will be augmented by a comprehensive benefits package. Our client is a 'non-smoking' company.

In the first instance please apply in writing to Loraine Pemberton at the address below, enclosing your CV and explaining concisely how you meet the above requirements.



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Reporting to the Director of Finance, you will manage and motivate a small accounting team and spearhead the development of controls and procedures which ensure the integrity of the organisation's accounting systems. Liaising with a variety of staff within and outside the finance function, you will be responsible for raising the department's profile, producing a range of financial and management information aimed at facilitating decision-making throughout the College.

A qualified accountant, probably chartered, (aged 27-35), you will have a proven track record in managing change and a detailed knowledge of systems and spreadsheet applications. Your personal attributes should include enthusiasm, persuasiveness and commercial vision combined with diplomacy, adaptability and the presence to establish immediate credibility at all levels.

Please write, in confidence, enclosing full career, salary details and a daytime number to

Carole Sill, Regent's College, Inner Circle, Regent's Park, London NW1 4NS



## PRINCIPAL ACCOUNTANT (TREASURY MANAGEMENT)

SALARY £26,088 TO £27,750

Applications are invited from CCAB qualified accountants with at least 4 years relevant post qualification experience to manage a new team of 13 staff within the Financial Management Services Group of the Treasurer's Department.

Responsibilities of the team include:

Treasury Management functions  
Capital programming, capital accounting and capital financing  
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Applicants must be able to show experience and success in staff management and possess good interpersonal and communication skills. In addition, experience in one or more of the following is desirable: money market dealings; superannuation fund administration and investments; capital programming and financing.

For an informal discussion telephone Roger Rymmer, Chief Assistant on (0772) 264757 or for an application form telephone the Personnel Section on (0772) 264776.

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## COMMODITIES AND AGRICULTURE

## Russia seeks credits to boost gas production

By John Lloyd in Moscow

RUSSIA IS set to boost its production of gas and of oil products by returning to the Soviet method of attracting huge foreign credits for investment in infrastructure.

Mr Boris Yeltsin, the Russian president, has signed a decree authorising the state holding company Gazprom to raise up to \$8.7bn in foreign credits between 1992 and 1993. The hard currency earnings from gas exports would be used to repay the debts.

Further decrees authorise the raising of unspecified amounts of credits for investment in refineries and petrochemical plants. The official news agency ITAR TASS said these decrees followed the appointment of Mr Victor Chernomyrdin as the new energy minister, following the sacking of Mr Vladimir Lopukhin from the post.

The decrees seem to indicate a turning away from a proposed strategy of attracting foreign energy companies as partners and investors - instead returning to the practice followed especially in the 1970s of borrowing heavily from foreign banks and governments for industrial investments. The credits raised will go to the refurbishing of pipelines and the construction of new refineries. Oil refineries will be issued export quotas, the proceeds from which will be used to repay the loans.

The total Soviet output of gas in 1991 was estimated at 810.5bn cubic metres, or 90 per cent of the total world output. Much of that is exported on long term contracts to Europe, especially to Germany.

Russia's share of the total last year was 642.9bn cu m, a slight rise on previous years. The gas industry, which Mr Chernomyrdin headed as a Soviet minister, has avoided the plunging output which has marked the oil sector.

However, in an effort to conserve supplies and to divert more to the export market, Mr Chernomyrdin has also directed industrial consumers and power stations will take a 10 per cent cut in gas supplies between June and October of this year.

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The decrees seem to indicate a turning away from a proposed strategy of attracting foreign energy companies as partners and investors - instead returning to the practice followed especially in the 1970s of borrowing heavily from foreign banks and governments for industrial investments. The credits raised will go to the refurbishing of pipelines and the construction of new refineries. Oil refineries will be issued export quotas, the proceeds from which will be used to repay the loans.

## Italian call for CAP reform delay refused

By David Gardner in Brussels

MR GUILIO Andreotti, Italy's caretaker prime minister, has received a dusty reply to his request that ratification of last month's Common Agricultural Policy reform be held up so that the Lisbon summit later this month can discuss Italian milk quota demands.

Mr Andreotti wrote to Mr Jacques Delors, the European Commission president, and Mr Anibal Cavaco Silva, prime minister of Portugal, the current EC president on May 28, asking for the legal implementation of the CAP reform to be taken off the agenda at the next agriculture ministers meeting on June 15-16.

At a time when the EC has been plunged into crisis by Denmark's rejection of the Maastricht treaty, the Italian premier's veiled threat to invoke national interest - the so-called "Luxembourg compromise", whereby the rest of the 12 would stand from forcing unacceptable measures on one of their partners - over illicit milk output has caused great anger.

Approval of the radical reform, which took 18 months of negotiation, was held up two weeks ago because Italy wanted to validate retrospectively the 2.5m tonnes of milk it produces in addition to its allotted quota. Farm ministers voted the reform through over Italy's objections.

Mr Delors yesterday replied to Mr Andreotti's rather curt letter by saying "this factor has nothing to do with the Lisbon summit... I know that this has got to be resolved in another place".

Aides to Mr Ray MacSharry, agriculture commissioner and political architect of the CAP reform, said "farmers have already waited too long for CAP reform. They need certainty and they need to start sowing in August". Mr Cavaco Silva has yet to reply formally, but is understood to be hostile to any delay, particularly as the CAP package is the only sizeable feather in the cap of the Portuguese presidency, which runs to the end of June.

## Tin output down

MALAYSIA'S TIN concentrate production fell to 4,016 tonnes in the first quarter of 1992 from 5,828 in the same 1991 period, the Statistics Department said, reports Reuters from Kuala Lumpur. March output was 1,331 tonnes, down from 1,831 in March 1991 but up from 1,075 tonnes in February.

## Golden Road back on Uzbekistan trade map

Laura Le Cornu on one of the former Soviet Union's leading gold producing regions

THE ANCIENT Golden Road, one of the east-west trade routes across Central Asia until the 16th century, is back on the trade map for profit takers. Competition for gold reserves buried under the dusty steppes of the Zhetysay valley in the former Soviet Republic of Uzbekistan has begun.

The Central Asian republic is supplying nearly a third of all production since the collapse of the union. Uzbekistan assumed control of its own gold in September last year, ending Russian domination of its rich mineral resources since the 18th century.

The republic signed a joint venture agreement for gold production with the US Newmont Mining Corporation in March. The \$75m venture marks the first foreign investment in its gold industry, which produces about 70 tonnes annually. The Denver-based US mining company aims to process about 10

tonnes of gold this year.

"We are highly developed in the field of mining, foreign investment has not been necessary before," said Mr Sadiq Safayev, first deputy at the Foreign Affairs Ministry. "But we have sought Western assistance for this particular field of extraction."

**'I am sure if the government provides the necessary technology, we shall be one of the greatest gold producers in the world'**

The republic is moving to encourage Western investment in order to develop its backward industrial base. Under legislation introduced last year, foreign investors are entitled to a two-year tax holiday, and free repatriation of hard currency.

Gold is not the only resource the republic possesses; it is poised to make a major impact on world commodity markets with its cotton production, and following a large oil blow-out

in March, will soon have its own crude. But gold tops the list and is far more easily transported from the landlocked republic, which at the mercy of the freight vicissitudes plaguing the Commonwealth of Independent States following the breakdown of the old Soviet networks.

Sandy desert, 25 km (15 miles) outside the town, where the modern quarter, predominantly populated by ethnic Russians, was created in the early 1980s to support the gold mining industry.

More than 3,000 employees, an ethnic mix of nearly 70 nationalities, including Uzbeks, Russians, Kazaks and Khirgiz, are employed at the refinery.

"Under the Soviets, high salaries were offered to people to work here. This is why I came," said Mr Nikolayevich, a Ukrainian mining engineer, who began working at the refinery almost as soon as it was commissioned.

"If you work hard, then the economy will thrive," reads a Russian language sign, which hangs outside the building, sealed off to outsiders, where

the final stage of gold refining process takes place.

Pointing to a conveyor belt sprawling up the hillside of the 300-metre mine, Mr Nikolayevich says modern Soviet-made technology and equipment are utilised at Besapan. Moscow paid about 5 roubles for a gram of gold, compared with about \$12 on the world market.

Mr Nikolayevich says gold reserves have been discovered in three nearby areas in Murtan valley. "I am sure if the government provides the necessary technology, we shall be one of the greatest gold producers in the world," he claims.

Indeed, Uzbek officials are reluctant to reveal statistics of total gold reserves, which they say are "state secrets". Yet, the authorities stress the high quality of the republic's output. According to Mr Nikolayevich: "It is the purest, consisting of 99.998 per cent pure gold."

## NZ fish industries enjoy a bumper year

Higher exports and a weaker currency have helped to boost profits, writes Terry Hall

NEW ZEALAND achieved a bumper harvest from its fishing and fish processing industries last year, as well as from the farming of mussels, salmon, oysters and scallops. The Fishing Industry Board says that total catch was worth \$2.1bn (\$255m) in the year to December 31, while export returns rose by 25.4 per cent to a record NZ\$281.5m.

Mr Roy Dobson, the board's chief executive, says the export sector is continuing to perform strongly and will be a NZ\$2bn-a-year industry by the year 2000.

A number of factors came together to enable the industry to achieve a sharp improvement from 1990, when it encountered difficulties because of low international fish prices and a very high New Zealand exchange rate.

The industry's export competitive index shows that as the exchange rate fell export prices rose. This coincided with a period of white fish shortages in world markets, increasing prices. Input prices also dropped. In its annual review, released May 26, the board says that the exchange rate will continue to have a dominant effect on the industry, but the medium term outlook is for the present favourable conditions to continue as the currency remains low and world demand strong and domestic inflation low.

A sharp rise in the value of

hoki, a deep sea white-fleshed fish, played a key role in the bumper year, becoming the industry's top earner for the first time with earnings up 138 per cent to NZ\$158m. Exports rose to 49,202 tonnes from 33,961 tonnes in 1990 and returns per tonne were up 56 per cent to NZ\$3.176. The board says the rise was in part due to further processing in New Zealand.

**The Fishing Industry Board says the medium term outlook is for the present favourable conditions to continue**

land. While the volume of whole frozen hoki exported fell 35 per cent, the value of frozen fillets sent overseas was up 50 per cent. Nearly 60 per cent of the hoki went to the US, one of the highest paying markets. The board says that the rising demand there is due to promotional work and the shortage of cod, America's favourite white fish.

Orange roughy fell to second place in exports. The volume was down 14 per cent to 14,249 tonnes, although this was worth only 4 per cent less at NZ\$138.6m as the average export price rose from NZ\$9.671 to NZ\$9.697 a tonne. Most was shipped to the US. The board says the outlook is promising as demand from the restaurant trade is expected to lift as the American economy comes out of recession.

Snapper exports had a disappointing year, with both volume and value remaining more or less static. Export volume

was 6,804 tonnes, down slightly from 6,729 tonnes in 1990, and exports were worth NZ\$51.5m, compared with NZ\$49.4m. Most went to Japan, which took growing quantities of live fish. Australia was another important market.

Squid exports fell sharply to 25,507 tonnes, compared with 35,561 tonnes in 1990, which was itself a very low figure. However, the value rose slightly from NZ\$1,877 to NZ\$1,831 a tonne. Mr Dobson says, however, that the outlook for squid fishermen is brightening. Catches are expected to rise in response to a new management plan and a "cyclic" change in returns is expected over the next two years.

Fish farming continued to thrive. Total export earnings rose 27 per cent last year to NZ\$269.3m, 7.2 per cent of the total for all seafood exports. Volume rose to 13,513 tonnes. There was a dramatic increase in exports of Greenpeace mussels, the internationally copyrighted name carried by the New Zealand product. Overseas sales rose last year to 10,654 tonnes, worth NZ\$42.1m, a 23 per cent rise on 1990. The review said that this growth showed the potential that existed and could also be applied to a wide range of other species, including prawns, scallops, oysters, farmed lobsters, prawns, snappers, shrimp and crabs. Extensive research, with some success, is being undertaken to

find ways to farm these species.

It is estimated that last year 43,600 tonnes of Greenpeace mussels were produced, including about 33,000 tonnes in the Marlborough Sounds and 10,000 tonnes in the Coromandel. That was a 22.5 per cent rise on the 1990 figure, which in turn was 17 per cent up on 1989.

Last year 2200 tonnes of Pacific oysters were produced, a rise of 10 per cent. Exports were worth NZ\$7.6m.

New Zealand exported 2,350 tonnes of salmon last year, earning NZ\$230m, up from NZ\$141m in 1990. While substantial increases in world supplies of farmed salmon are expected, New Zealand has secured important niche markets with top quality products, the board says, and it expects this to stand it in good stead in the years ahead.

Japan is New Zealand's biggest market for seafood in both volume and value. Exports last year totalled 77,765 tonnes, worth NZ\$380m. The US was second taking 35,619 tonnes, up 22 per cent on 1990, worth NZ\$253.7m. Exports to Australia were worth NZ\$102m, while the Republic of Korea was in fourth place with purchases worth NZ\$87.5m, up from NZ\$85.4m. Other important Asian markets were Hong Kong, Singapore, Thailand, while in Europe Britain and France were substantial customers.

## MARKET REPORT

Fund buying and short covering in LEAD took the three-month price on the LME up through \$310 a tonne, triggering buy stops and lifting the market to a high of \$317 before profit taking pared gains. Traders said there appeared no fundamental reason for the rise. Prices are expected to drift back to around \$310 to probe for any follow-up buying to support the rise. COPPER, after a brief period of consolidation following three-month metal's recent break from the \$2,230 to \$2,240 a tonne range, made further gains as Comex began to break through overhead resistance levels. But a firmer pound

against the dollar restrained the sterling price. Three-month ZINC fluctuated narrowly around \$1,255 a tonne during the session - a level which some traders said should be providing resistance, having been broken as a support level on Wednesday. Traders said the driving force remains the backwardation which ended the day up \$19.50 at \$170. New York's July raw SUGAR price reached 10.22 cents a lb by midday on strong fund buying, technical factors and talk of a pick up in demand for white sugar. London sugar prices took heart from New York's strength. Compiled from Reuters

## London Markets

SPOT MARKETS			
Commodity	Unit	Price	Change
Dubai	(\$/bbl FOB)	\$18.80-18.85	-0.75
Brent Blend (dated)	(\$/bbl FOB)	\$27.08-11.10	-1.25
Brent Blend (Jul)	(\$/bbl FOB)	\$27.08-1.08	-1.25
WTI (1 pm est)	(\$/bbl FOB)	\$22.30-2.25	-4.16
OIL PROMOTIONS			
INVE prompt delivery per tonne CIF			+ or -
Premium Gasoline		\$235-237	
Gas Oil		\$186-187	-8
Heavy Fuel Oil		\$93-94	-1.0
Naphtha		\$184-185	-1.0
Petroleum Argus Estimates			
Other			
Gold (per troy oz)		\$328.85	-0.55
Silver (per troy oz)		407.50	-1.5
Platinum (per troy oz)		\$572.05	-4.20
Palladium (per troy oz)		578.00	-0.50
Copper (US Producer)		105.75	-0.08
Lead (US Producer)		97.00	-0.05
Tin (Kuala Lumpur market)		15.64	-0.05
Tin (New York)		206.00	+0.5
Zinc (US Prime Western)		62.00	-0.05
Cattle (live weight)		110.00	-1.25
Sheep (live weight)		67.50	-0.75
Pigs (live weight)		91.50	+2.42
London daily sugar (raw)		\$248.82	+1.0
London daily sugar (white)		\$267.05	+1.0
Barley (English new)		\$224.5	+1.0
Malt (US No. 3, yellow)		\$149.00	-0.5
Wheat (US Dark Northern)		\$149.00	-0.5
Rubber (Jul)		\$2.75	
Rubber (Aug)		\$2.75	
Rubber (Oct/RSB No 1 Jul)		216.5	
Coconut oil (Philippines)		\$920.00	+2.0
Palm oil (Malaysia)		\$930.00	+8.5
Copra (Philippines)		\$132.00	
Soybeans (US No 1)		\$158.00	
Cotton (US No 1)		\$158.00	
Wooltops (Jepi Super)		41.00	-6
a tonne unless otherwise stated. p=penca, c=cansul, r=ringling, h=hm, j=ju, w=ag Jul=July, Aug=August, May=May, Miam=Miami average late Sep=September, B=Brazil, S=South Africa, R=Russia physical, SCF=Rotterdam, S=Shanghai, B=Buffalo market a=American, B=British, C=Canadian, S=Swedish, W=West a=American, B=British, C=Canadian, S=Swedish, W=West			







## LONDON SHARE SERVICE

## AMERICANS

Company	Price	Change	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594	593
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## LONDON SHARE SERVICE

## INVESTMENT TRUSTS - Cont.

Notes	Price	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594	59
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● Current Unit Trust prices are available on FT Cityline. Calls charged at 38p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

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[illegible]

Jan Selection.....	DR55.93	Dr. 10000	100
P Am Gln Fd NV.....	\$34.17	Dr. 10000	100
Proge Gln Fd NV.....	DR51.06	Dr. 10000	100
Jan Diversified Fd.....	\$36.46	Dr. 10000	100

[illegible]

Chrysler Aia Limited				
Jan Fund	514.28	19.01		
Jan Fund	1052.00	19.00		

[illegible]

02300 Pd. 07.50

[illegible]

10 June 2001	5.10820	67	+02.781	
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Funds not SIB recognised. The regulatory authorities  
in these funds are: Guernsey Financial Services

Source: Relations Department, Luxembourg: Institut  
d'Etats Luxembourgais



## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## D-Mark firm in calm trading

Activity in foreign exchange trading was considerably calmer yesterday following the market's stormy reaction to the Danish decision not to participate in European Monetary Union, writes James Blyth.

The D-Mark ended the day slightly down against most European currencies from Wednesday's close. But it still retained most of the gains made in the aftermath of Denmark's referendum decision, as dealers remained unsure of the immediate outlook on European exchange rates. "There's clearly a question mark over the route map of ERM," said Mr Neil MacKinnon, chief economist of Yamaichi International in London. "There is also much more of a currency risk for the bond markets, with the financial markets having to price in the possibility of a currency realignment."

Sterling ended the day 4 pence higher against the D-Mark, closing at DM2.9175. The French franc suffered fur-

ther loss, closing at around FF3.370 to the D-Mark, from the previous close of FF3.368. Analysts believed that the French currency had done well to hold its ground considering the French government's decision to hold a referendum on the EMU this autumn. The currency may have been helped by a statement from Mr Michel Sapin, the French finance minister, that inflation is set to fall to 2.8 per cent by the end of the year from its current level of 3.1 per cent.

The Danish krone came under little further pressure in European trading after a hazardous day on Wednesday, when the Bank of Portugal was forced to intervene in the market as the krone threatened to slip below its permitted limit against the strongest currency, the escudo. By the end of European trading, the krone was again firmly at the bottom of the EMS grid. But it was more relaxed, with only a 5.74 percentage point differential

against the escudo, compared to 6.10 points on Wednesday.

The other EMS currency over which there is apprehension is the Italian lira, the third weakest currency in the system. On Wednesday, the Bank of Italy was reported to have intervened in the market to prevent the D-Mark rising much above Lira 765.1. Yesterday, the lira again closed weaker at Lira 766.6 to the D-Mark, compared to a previous close of 766.1.

According to Mr Michael Feeny, senior dealer at Sun-tomo Bank in London, the lira is a potential concern. "Italy's weak political system requires the discipline of Maastricht to help the country take difficult decisions about its growing budget deficit," he said. "Without Maastricht, overseas investors' confidence could fall, prompting a real run on the lira. These days, Italy no longer has the protection of controls on capital outflows."

## FINANCIAL FUTURES AND OPTIONS

## LONDON (CLIFFE)

20-YEAR 7% NATIONAL GILT	20-YEAR 7% NATIONAL GILT	20-YEAR 7% NATIONAL GILT	20-YEAR 7% NATIONAL GILT
Jan 92	100.00	100.00	100.00
Feb 92	100.00	100.00	100.00
Mar 92	100.00	100.00	100.00
Apr 92	100.00	100.00	100.00
May 92	100.00	100.00	100.00
Jun 92	100.00	100.00	100.00
Jul 92	100.00	100.00	100.00
Aug 92	100.00	100.00	100.00
Sep 92	100.00	100.00	100.00
Oct 92	100.00	100.00	100.00
Nov 92	100.00	100.00	100.00
Dec 92	100.00	100.00	100.00

## LIFE INSURANCE FUTURES AND OPTIONS

Life Insurance	Life Insurance	Life Insurance	Life Insurance
Jan 92	100.00	100.00	100.00
Feb 92	100.00	100.00	100.00
Mar 92	100.00	100.00	100.00
Apr 92	100.00	100.00	100.00
May 92	100.00	100.00	100.00
Jun 92	100.00	100.00	100.00
Jul 92	100.00	100.00	100.00
Aug 92	100.00	100.00	100.00
Sep 92	100.00	100.00	100.00
Oct 92	100.00	100.00	100.00
Nov 92	100.00	100.00	100.00
Dec 92	100.00	100.00	100.00

## MONEY MARKET FUNDS

Money Market Funds	Money Market Funds	Money Market Funds	Money Market Funds
Jan 92	100.00	100.00	100.00
Feb 92	100.00	100.00	100.00
Mar 92	100.00	100.00	100.00
Apr 92	100.00	100.00	100.00
May 92	100.00	100.00	100.00
Jun 92	100.00	100.00	100.00
Jul 92	100.00	100.00	100.00
Aug 92	100.00	100.00	100.00
Sep 92	100.00	100.00	100.00
Oct 92	100.00	100.00	100.00
Nov 92	100.00	100.00	100.00
Dec 92	100.00	100.00	100.00

## E IN NEW YORK

Spot	1 month	3 months	6 months	12 months
Jan 92	100.00	100.00	100.00	100.00
Feb 92	100.00	100.00	100.00	100.00
Mar 92	100.00	100.00	100.00	100.00
Apr 92	100.00	100.00	100.00	100.00
May 92	100.00	100.00	100.00	100.00
Jun 92	100.00	100.00	100.00	100.00
Jul 92	100.00	100.00	100.00	100.00
Aug 92	100.00	100.00	100.00	100.00
Sep 92	100.00	100.00	100.00	100.00
Oct 92	100.00	100.00	100.00	100.00
Nov 92	100.00	100.00	100.00	100.00
Dec 92	100.00	100.00	100.00	100.00

## EMS EUROPEAN CURRENCY UNIT RATES

EMS European Currency Unit Rates	EMS European Currency Unit Rates	EMS European Currency Unit Rates	EMS European Currency Unit Rates
Jan 92	100.00	100.00	100.00
Feb 92	100.00	100.00	100.00
Mar 92	100.00	100.00	100.00
Apr 92	100.00	100.00	100.00
May 92	100.00	100.00	100.00
Jun 92	100.00	100.00	100.00
Jul 92	100.00	100.00	100.00
Aug 92	100.00	100.00	100.00
Sep 92	100.00	100.00	100.00
Oct 92	100.00	100.00	100.00
Nov 92	100.00	100.00	100.00
Dec 92	100.00	100.00	100.00

## CURRENCY MOVEMENTS

Currency Movements	Currency Movements	Currency Movements	Currency Movements
Jan 92	100.00	100.00	100.00
Feb 92	100.00	100.00	100.00
Mar 92	100.00	100.00	100.00
Apr 92	100.00	100.00	100.00
May 92	100.00	100.00	100.00
Jun 92	100.00	100.00	100.00
Jul 92	100.00	100.00	100.00
Aug 92	100.00	100.00	100.00
Sep 92	100.00	100.00	100.00
Oct 92	100.00	100.00	100.00
Nov 92	100.00	100.00	100.00
Dec 92	100.00	100.00	100.00

## DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Dollar Spot - Forward Against the Dollar	Dollar Spot - Forward Against the Dollar	Dollar Spot - Forward Against the Dollar	Dollar Spot - Forward Against the Dollar
Jan 92	100.00	100.00	100.00
Feb 92	100.00	100.00	100.00
Mar 92	100.00	100.00	100.00
Apr 92	100.00	100.00	100.00
May 92	100.00	100.00	100.00
Jun 92	100.00	100.00	100.00
Jul 92	100.00	100.00	100.00
Aug 92	100.00	100.00	100.00
Sep 92	100.00	100.00	100.00
Oct 92	100.00	100.00	100.00
Nov 92	100.00	100.00	100.00
Dec 92	100.00	100.00	100.00

## CURRENCY RATES

Currency Rates	Currency Rates	Currency Rates	Currency Rates
Jan 92	100.00	100.00	100.00
Feb 92	100.00	100.00	100.00
Mar 92	100.00	100.00	100.00
Apr 92	100.00	100.00	100.00
May 92	100.00	100.00	100.00
Jun 92	100.00	100.00	100.00
Jul 92	100.00	100.00	100.00
Aug 92	100.00	100.00	100.00
Sep 92	100.00	100.00	100.00
Oct 92	100.00	100.00	100.00
Nov 92	100.00	100.00	100.00
Dec 92	100.00	100.00	100.00

## EURO-CURRENCY INTEREST RATES

Euro-Currency Interest Rates	Euro-Currency Interest Rates	Euro-Currency Interest Rates	Euro-Currency Interest Rates
Jan 92	100.00	100.00	100.00
Feb 92	100.00	100.00	100.00
Mar 92	100.00	100.00	100.00
Apr 92	100.00	100.00	100.00
May 92	100.00	100.00	100.00
Jun 92	100.00	100.00	100.00
Jul 92	100.00	100.00	100.00
Aug 92	100.00	100.00	100.00
Sep 92	100.00	100.00	100.00
Oct 92	100.00	100.00	100.00
Nov 92	100.00	100.00	100.00
Dec 92	100.00	100.00	100.00

## OTHER CURRENCIES

Other Currencies	Other Currencies	Other Currencies	Other Currencies
Jan 92	100.00	100.00	100.00
Feb 92	100.00	100.00	100.00
Mar 92	100.00	100.00	100.00
Apr 92	100.00	100.00	100.00
May 92	100.00	100.00	100.00
Jun 92	100.00	100.00	100.00
Jul 92	100.00	100.00	100.00
Aug 92	100.00	100.00	100.00
Sep 92	100.00	100.00	100.00
Oct 92	100.00	100.00	100.00
Nov 92	100.00	100.00	100.00
Dec 92	100.00	100.00	100.00

## FT LONDON INTERBANK FIXING

FT London Interbank Fixing	FT London Interbank Fixing	FT London Interbank Fixing	FT London Interbank Fixing
Jan 92	100.00	100.00	100.00
Feb 92	100.00	100.00	100.00
Mar 92	100.00	100.00	100.00
Apr 92	100.00	100.00	100.00
May 92	100.00	100.00	100.00
Jun 92	100.00	100.00	100.00
Jul 92	100.00	100.00	100.00
Aug 92	100.00	100.00	100.00
Sep 92	100.00	100.00	100.00
Oct 92	100.00	100.00	100.00
Nov 92	100.00	100.00	100.00
Dec 92	100.00	100.00	100.00

## MONEY MARKETS

## Short rates softer

SHORT-DATED interest rates in the sterling cash markets were slightly softer yesterday after the Bank of England forecast another small shortage in its operations.

However, sterling futures still appeared to be held off by the shock of Denmark's vote on European Monetary Union (EMU), with the longer dated contracts ending the day considerably lower than their previous close.

The Maastricht blues took a firmer grip of the sterling futures markets, however, where some of the longer-dated contracts ended the day a few ticks lower. The June 1993 contract ended at 91.03, also down three ticks on the day. This reflects the view that 3-month Libor will be at 8.08 per cent in one year's time. The September 1993 contract ended at 91.03, also down three ticks on the day. This reflects the view that 3-month Libor will then be at 8.97 per cent.

There was little change in the shorter dated futures. The September contract closed at 90.28, the same as its previous close.

Dealers said that the slight drop in longer-dated futures had mostly reflected changes in the gilts market, where trading was far more active.

## UK clearing bank base lending rate

10 per cent from May 1, 1992

In the cash market, 1-month money ended the day at 9% per cent, 1/4 per cent down on the previous night's close. 3-month Libor, an important indicator of how the market thinks base rates will move, ended once again at 10 per cent. The rates for 6-month and 1-year money were also unchanged at 10 per cent and 9 1/2 per cent respectively.

The softening of rates followed the Bank of England's forecast of a shortage of only £500m in the morning. The Bank then later revised to £550m of Band-1 Bank bills at 9% per cent, taking out the shortage at one go in the morning.

Dealers said that a small

shortage had once again removed the danger of the cash markets over-reacting to the disarray over EMU. One dealer said: "Any potential fears that people may have had for the money markets have been offset by the fact that money is cheap at the moment and prices have not risen." Another said that the Maastricht crisis had not changed his perception that 10 per cent was a level from which base rates would come down.

## LONDON MONEY RATES

London Money Rates	London Money Rates	London Money Rates	London Money Rates
Jan 92	100.00	100.00	100.00
Feb 92	100.00	100.00	100.00
Mar 92	100.00	100.00	100.00
Apr 92	100.00	100.00	100.00
May 92	100.00	100.00	100.00
Jun 92	100.00	100.00	100.00
Jul 92	100.00	100.00	100.00
Aug 92	100.00	100.00	100.00
Sep 92	100.00	100.00	100.00
Oct 92	100.00	100.00	100.00
Nov 92	100.00	100.00	100.00
Dec 92	100.00	100.00	100.00

## BASE LENDING RATES

Base Lending Rates	Base Lending Rates	Base Lending Rates	Base Lending Rates
Jan 92	100.00	100.00	100.00
Feb 92	100.00	100.00	100.00
Mar 92	100.00	100.00	100.00
Apr 92	100.00	100.00	100.00
May 92	100.00	100.00	100.00
Jun 92	100.00	100.00	100.00
Jul 92	100.00	100.00	100.00
Aug 92	100.00	100.00	100.00
Sep 92	100.00	100.00	100.00
Oct 92	100.00	100.00	100.00
Nov 92	100.00	100.00	100.00
Dec 92	100.00	100.00	100.00

## CROSSWORD

Crossword	Crossword	Crossword	Crossword
Jan 92	100.00	100.00	100.00
Feb 92	100.00	100.00	100.00
Mar 92	100.00	100.00	100.00
Apr 92	100.00	100.00	100.00
May 92	100.00	100.00	100.00
Jun 92	100.00	100.00	100.00
Jul 92	100.00	100.00	100.00
Aug 92	100.00	100.00	100.00
Sep 92	100.00	100.00	100.00
Oct 92	100.00	100.00	100.00
Nov 92	100.00	100.00	100.00
Dec 92	100.00	100.00	100.00

## TRADING STRATEGIES &amp; IDEAS

Trading Strategies & Ideas	Trading Strategies & Ideas	Trading Strategies & Ideas	Trading Strategies & Ideas
Jan 92	100.00	100.00	100.00
Feb 92	100.00	100.00	100.00
Mar 92	100.00	100.00	100.00
Apr 92	100.00	100.00	100.00
May 92	100.00	100.00	100.00
Jun 92	100.00	100.00	100.00
Jul 92	100.00	100.00	100.00
Aug 92	100.00	100.00	100.00
Sep 92	100.00	100.00	100.00
Oct 92	100.00	100.00	100.00
Nov 92	100.00	100.00	100.00
Dec 92	100.00	100.00	100.00

## WORLD STOCKMARKETS



## CANADA

[illegible]



**3:00 pm prices June 4**

## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

**Continued on next page**



**NASDAQ NATIONAL MARKET**

N Y										N Y										N Y									
Stock	High	Low	Last	Chg	Vol	Stock	High	Low	Last	Chg	Vol	Stock	High	Low	Last	Chg	Vol	Stock	High	Low	Last	Chg	Vol						
AT&T	10.14	12.1	35.5	28	34 1/2	+	+	+	+	+	+	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
GE	0.44	24	14	15	14 1/2	15	14 1/2	15	14 1/2	15	14 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	160	82	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	33	170	15 1/2	15 1/2	15 1/2	15 1/2	15 1/2	15 1/2	15 1/2	15 1/2	15 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	23 1/2	IBM	6.15	20	11	7 1/2	27 1/2	+	+	+	+	+	+						
IBM	32	307																											

## 3:20 PM priest June 4

Algeria	1980	10	15	15	15	15	15	15	15
Algeria	1981	10	15	15	15	15	15	15	15
Algeria	1982	10	15	15	15	15	15	15	15
Algeria	1983	10	15	15	15	15	15	15	15
Algeria	1984	10	15	15	15	15	15	15	15
Algeria	1985	10	15	15	15	15	15	15	15
Algeria	1986	10	15	15	15	15	15	15	15
Algeria	1987	10	15	15	15	15	15	15	15
Algeria	1988	10	15	15	15	15	15	15	15
Algeria	1989	10	15	15	15	15	15	15	15
Algeria	1990	10	15	15	15	15	15	15	15
Algeria	1991	10	15	15	15	15	15	15	15
Algeria	1992	10	15	15	15	15	15	15	15
Algeria	1993	10	15	15	15	15	15	15	15
Algeria	1994	10	15	15	15	15	15	15	15
Algeria	1995	10	15	15	15	15	15	15	15
Algeria	1996	10	15	15	15	15	15	15	15
Algeria	1997	10	15	15	15	15	15	15	15
Algeria	1998	10	15	15	15	15	15	15	15
Algeria	1999	10	15	15	15	15	15	15	15
Algeria	2000	10	15	15	15	15	15	15	15
Algeria	2001	10	15	15	15	15	15	15	15
Algeria	2002	10	15	15	15	15	15	15	15
Algeria	2003	10	15	15	15	15	15	15	15
Algeria	2004	10	15	15	15	15	15	15	15
Algeria	2005	10	15	15	15	15	15	15	15
Algeria	2006	10	15	15	15	15	15	15	15
Algeria	2007	10	15	15	15	15	15	15	15
Algeria	2008	10	15	15	15	15	15	15	15
Algeria	2009	10	15	15	15	15	15	15	15
Algeria	2010	10	15	15	15	15	15	15	15
Algeria	2011	10	15	15	15	15	15	15	15
Algeria	2012	10	15	15	15	15	15	15	15
Algeria	2013	10	15	15	15	15	15	15	15
Algeria	2014	10	15	15	15	15	15	15	15
Algeria	2015	10	15	15	15	15	15	15	15
Algeria	2016	10	15	15	15	15	15	15	15
Algeria	2017	10	15	15	15	15	15	15	15
Algeria	2018	10	15	15	15	15	15	15	15
Algeria	2019	10	15	15	15	15	15	15	15
Algeria	2020	10	15	15	15	15	15	15	15
Algeria	2021	10	15	15	15	15	15	15	15
Algeria	2022	10	15	15	15	15	15	15	15
Algeria	2023	10	15	15	15	15	15	15	15
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**FINANCIAL TIMES**

## FT SURVEYS



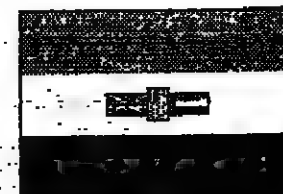






## SOUTH AFRICA

Friday June 5 1992



## SECTION III

The transition to multiracial rule is proving difficult and slow as whites battle to preserve power and privilege. Patti Waldmeir assesses the prospect for establishing freedom and stability in one of the most divided societies in the world

## Democracy in the balance

WHAT will replace apartheid in South Africa?

Will South Africans rise above their 350-year history of division and exploitation to build a liberal, multiracial democracy, a model to divided societies worldwide? Will they experiment with democracy, but fail, leaving black domination to replace white oppression? Or will the country's politicians, black and white, do an unholy deal to stifle dissent and restore civil order, jointly imposing authoritarian rule?

After two years of horrifying political violence, tortuous negotiations which have yielded little obvious progress, an accelerating decline in black living standards, and an explosion of crime, many South Africans are suffering from a crisis of confidence about their future.

The tremendous sense of relief and elation which greeted the release from prison two years ago of Mr Nelson Mandela, African National Congress (ANC) president, and the vision of a brave new egalitarian future which he inspired - has proved difficult to sustain under the pressures of political transition.

The historical imperatives which drove white and black to the negotiating table remain the same - in spite of the failure of last month's plenary session of the Convention for a Democratic South Africa

(Codesa), the constitutional negotiating forum. Codesa is floundering, and the installation of a multiracial interim government, which had been expected within weeks, now seems likely to be delayed.

But the reality remains that neither the ANC, the largest black group, nor the ruling National Party, the most powerful white party, can run South Africa on its own. They need each other, and sooner or later, they will strike a deal. What is not certain is whether it will be a fully democratic deal.

"There is nothing inevitable about a democratic outcome to transition in South Africa," says Professor Frederik van Zyl Slabbert, a former liberal politician who has stimulated debate on future political systems. "I think we have the capacity to become democratic, but if I have to be very frank, I cannot see us approaching it within the next 10 years... The dynamics of the transition may precipitate undemocratic options."

None of the 19 parties to Codesa exhibit truly democratic instincts. They all pay lip service to democracy. But the National Party has only recently discovered the need for political tolerance - now that its own interests are at risk - and the ANC permits dissent only so long as it does not threaten unity. Both are



Beach buddies: while the politicians argue, black and white sportsmen and women are finding a new accord

deeply suspicious of the press, intolerant of criticism, dirigiste in their economic policies and authoritarian by nature.

Indeed, the two sides have already largely agreed that a multi-party interim government should retain similar emergency powers to those exercised so brutally by the National Party, which detained 40,000 people in the late 1980s. In a passage chillingly reminiscent of the bad old days of apartheid, a working document agreed to by all the Codesa parties notes that "special measures are necessary to deal with the threat to public order during the transitional period", including detention without trial (subject to unspecified "procedural controls"), and powers to declare a state of emergency on the advice of an unelected interim executive appointed by Codesa.

Senior National Party offi-

cials admit privately that they envisage a period of authoritarian rule until the end of the decade - imposed in the interests of stability and economic growth - and the ANC, worried about its ability to control its own constituents, seems likely to agree.

Both have already agreed to rule by coalition, in a government of national unity aimed at reconciling all South Africans to a new constitution. The duration of the coalition is still in dispute: the government wants coalition government to be entrenched in an interim and a permanent constitution. If the National Party has its way, South Africa will be governed for decades by a coalition which would guarantee the political role of whites.

The ANC, for its part, is intent on achieving majority rule - though it favours voluntary coalition for the first

two to five years of the new regime. Some moderate ANC officials believe the government of national unity should last until the end of the century. For the National Party, though, coalition government on its own will not be enough to prevent abuse of power by the (black) majority. It wants a constitution which devolves power substantially to regional and local government - making it impossible for central government to dominate.

The party's position is that South Africa's fragmented and fractious society cannot be governed peacefully from the centre. That may well be so, but the drive for regionalism has a more immediate goal: to accommodate the political ambitions of Zulu Chief Mangosuthu Buthelesi, who would be guaranteed power in his ethnic base of Natal. He could never compete as a

national politician but he would resist - perhaps violently - being sidelined under a unitary constitution.

Strong regional government would achieve another cherished National Party goal. It would ensure that the Western Cape, the only region where blacks do not form the majority, would become, in the words of one junior minister, a kind of "haven for civilised western values". (This assumes that whites and coloureds (mixed-race peoples) would make common cause together against Africans, probably a realistic assumption.)

The ANC, with its ideal of non-racialism, finds such notions abhorrent but its officials are realistic enough to admit that ethnicity cannot simply be wished away, and that devolution can help accommodate it. In a recent paper entitled "Rooting Demo-

cracy on African Soil", ANC constitutional lawyer Zola Skweyiya argues: "It is necessary to consider the challenge that ethnicity poses to democratic transformation and the way in which this challenge may be diffused."

"The experiences of independent Africa, Yugoslavia, Bulgaria, and the former USSR have demonstrated clearly how difficult it is to replace individual ethnic identities by a commitment to a single overarching nationalism."

But Mr Skweyiya acknowledges that his view is not received wisdom within the ANC and many tough battles lie ahead before the new government's structure is agreed.

Indeed, the next few months could prove the most difficult so far in the transition. Codesa must resolve the central question of who wields power in the new South Africa. Will whites have an effective veto, through an upper house packed with political minorities? Will they exercise a veto over the new constitution, by insisting that all clauses are passed by three-quarters majority? How much power will devolve to regions?

The ANC will not easily relinquish its demand for a majority-rule constitution, but this is incompatible with the National Party's bottom line - a large political role for whites, guaranteed indefinitely. The movement will be tempted to exercise its own veto over the process of reform, by calling for a general strike and other forms of mass protest.

Meanwhile, economic growth - which is so crucial to stability - will continue to be sabotaged by political upheaval.

But given South Africa's peculiar legacy of apartheid and ethnic diversity, poverty and isolation, nation-building was never going to be easy. With any luck, the inter-racial goodwill which persists against all the odds, the Christian commitment of most South Africans, and the desire for economic advancement will ensure that South Africa avoids the risk of social disintegration. It remains to be seen whether democracy will survive the strains of the transition.

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Editorial production: Roy Terry

## ADVERTISEMENT

## RECENT DEVELOPMENTS IN THE SOUTH AFRICAN BALANCE OF PAYMENTS

by  
Dr C.L. Stals  
Governor of the South African Reserve Bank

One of the more encouraging developments in the South African economy in recent times has been the improvement in the country's international economic situation. The process of political reform which gained more momentum over the past two years had a major impact on both the current and the capital accounts of the balance of payments and contributed towards a remarkable improvement in the net foreign reserve position.

The current account produced a surplus of R7.4 billion in 1991, representing the seventh consecutive annual surplus since 1985. Over the seven-year period as a whole the total accumulated current surplus amounted to more than R36 billion.

The good performance on current account in 1991 was caused partly by a further increase in the total exports of merchandise and gold which rose from R60 billion in 1990 to R65.5 billion in 1991. The increase of about 9 per cent in total exports was mainly attributable to a substantial rise of more than 20 per cent in the exports of manufactured products.

At the same time, recessionary conditions in the domestic economy kept the demand for imported goods subdued with the result that total merchandise imports increased only moderately, i.e. from R44 billion to R48 billion, or also by about 9 per cent.

It is expected that the surplus on the current account will be substantially smaller in 1992, as imports of grain forced by the drought conditions, will add more than R2 billion to the total import bill.

The political reforms stepped up by President F.W. de Klerk since the beginning of 1990 contributed towards a significant improvement in the capital account of the balance of payments. The total net capital outflow declined from R4.3 billion in 1989 to R2.9 billion in 1990 and to only R1.4 billion in the first nine months of 1991. Late in the fourth quarter of last year, when an expansion in total liquidity started to exert downward pressure on domestic interest rates and the gold price declined, large amounts of short-term capital flowed out of the country, mainly because of a switching of short-term trade finance from foreign to domestic sources. The influence of political considerations on short-term capital flows is dissipating, whereas economic and financial considerations such as interest rate differentials, liquidity conditions, expected exchange rate movements and inflation trends are again determining decisions in this regard.

The improvement in the capital account so far has come about mainly because of freer access for South African borrowers to overseas sources of short-term finance linked to international trade transactions, and short-term interbank funds. There were, however, also a few successful private placements and public bond issues by the South African Government and other borrowers in the public sector. It is official policy to re-enter the markets for longer-term funds on a cautious basis.

As a result of the favourable developments in the overall balance of payments over the past few years, the country's net gold and foreign exchange reserves increased by R4.7 billion since the middle of 1989. As at the end of April 1992, the Reserve Bank's total net gold and foreign exchange reserves amounted to R9.6 billion, which was the equivalent of only about two months' imports. It remains an objective of monetary policy to increase the reserves further to give an import-cover of at least three months. Despite the projected smaller surplus on the current account in 1992, it is expected that there will be a further increase in the reserves during the rest of this year.

The nominal effective exchange rate of the rand against the basket of currencies of South Africa's major trading partner countries depreciated by 6½ per cent during 1991. This depreciation was more or less in line with the difference between the rate of inflation in South Africa and the average rate of inflation in the economies of the country's major trading partners, with the result that the effective exchange rate in real terms showed almost no change last year.

South Africa's total foreign debt was further reduced last year and now amounts to less than \$19 billion. As at the end of 1991, the total foreign debt was less than 70 per cent of the country's annual exports, compared with about 250 per cent for all developing countries in the Western Hemisphere. Total interest payments on the foreign debt absorbed only 7 per cent of the annual exports, compared to 16 per cent as an average for the other developing countries. As the risks linked to the political situation are gradually being reduced, South Africa's capacity to attract more foreign capital is rising.

Although real domestic economic activity remained relatively depressed in 1991, the improvement in South Africa's international economic position contributed towards the establishment of a better financial basis to support future economic development in the country.

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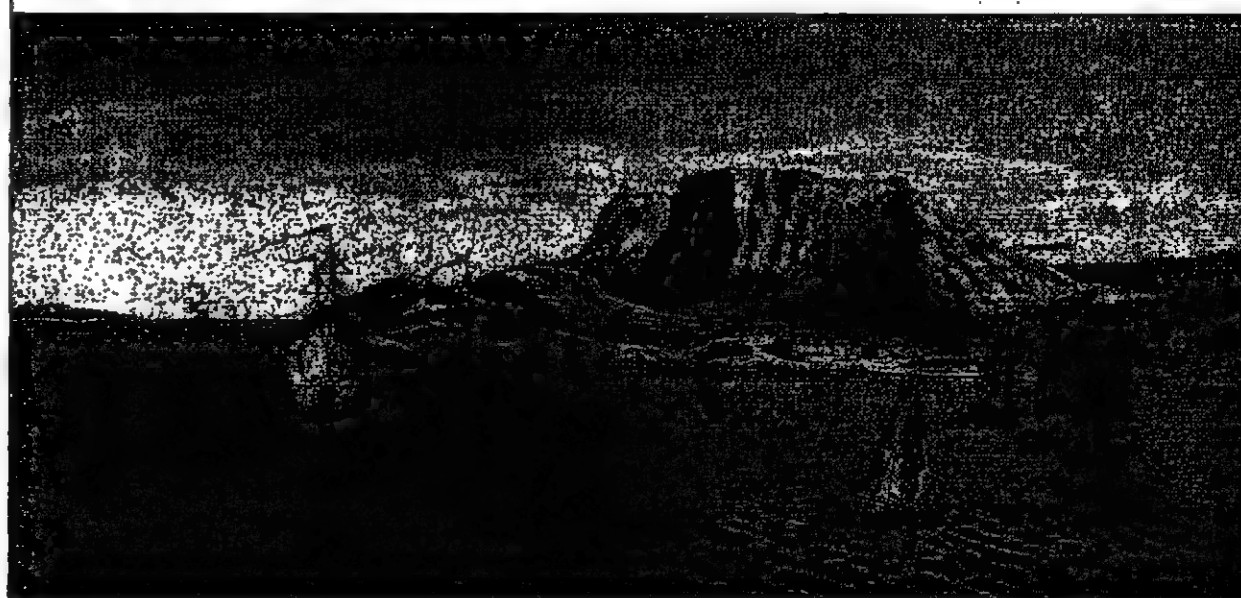


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حکومت الرشید



## SOUTH AFRICA 2



Codessa in session: in search of a constitution which reconciles minority rights and majority rule

Monarchists, nationalists and communists negotiate

## Struggle for power

IT'S BEEN called South Africa's first multiracial parliament, and its deliberations are shaping the country's constitutional future.

Since last December, the World Trade Centre on the outskirts of Johannesburg, has been home to Codessa - the Convention for a Democratic South Africa.

Apprehensive about the outcome, often baffled by the complexities of the debate, the whole of South Africa seems absorbed by an extraordinary spectacle: Zulu monarchists and Afrikaner nationalists, Tswana secessionists and white communists, all searching for a peaceful solution to their country's problems.

In principle, power continues to rest in the country's tricameral assembly in Cape Town from which blacks are excluded. In practice, the assembly concentrates on routine administration, suspending innovative functions, becoming what one commentator called "a kind of legislative handmaiden" to Codessa, an assembly of 19 political parties undertaking an exercise without precedent in Africa.

The ultimate objective is a constitution which reconciles

minority rights and majority rule, and which ensures an appropriate limit to the power of a central executive over regional and local authorities.

Nearly all the leading political players are in attendance, the notable exceptions being the extreme right Conservative Party and two radical black parties, the Pan Africanist Congress (PAC) and the Azanian People's Organisation (Azapo).

Separate delegations represent the South African government and the country's ruling National Party, and the African National Congress (ANC) and the South African Communist Party (SACP). It is a curious arrangement. The first two are one and the same, and the latter are the Siamese twins of South African politics, proclaiming a common cause and bonded by a long-standing alliance.

Chief Mangosuthu Buthe, the Zulu-based Inkatha Freedom Party is also at the conference - but not the chief, who has stayed away in protest at the refusal of Codessa to give a separate seat to Chief Goodwill Zwelithini in his capacity as monarch of the Zulu nation.

The predominantly white, liberal Democratic Party led by Dr Zach de Beer, one of the country's elder statesmen, plays a mediating role. The Indian community, the smallest of South Africa's race groups, has no fewer than three representatives at Codessa: the conservative Solidarity and National People's parties, and a joint delegation from the anti-apartheid Natal and Transvaal Indian Congresses. Delegates of the Coloured (mixed race) Labour party look on while leaders of the nominally independent homelands - collectively termed the TBVC states - contemplate their options.

Transkei has thrown in its lot with the ANC; Bophuthatswana nurtures hopes of independence, or at least autonomy in a federal South Africa; Venda and Ciskei will probably opt for re-incorporation.

Decisions are by consensus. But if that proves impossible, by "sufficient consensus" - a splendid example of South Africa's coded political vocabulary, which at Codessa generally means "when the government and ANC agree".

Last month, however, saw confrontation rather than con-

"THE criminals who rob, rape and murder seem to grow in number every day, and seem to get more desperate and brutal with each passing month".

Mr Nelson Mandela struck a common chord in his closing address to the second round of constitutional talks last month.

Apart from anxiety about the outcome of negotiations themselves, no subject so preoccupies South Africa than the upsurge in crime, and the gratuitous nature of the violence that often accompanies it.

Among white South Africans, relatively untouched by the political violence that scars many black townships, it is a subject of almost obsessive concern. Whatever the causes of the crime wave, it undermines their confidence in the transition from apartheid to democracy. For black South Africans, who bear the burden of political violence, rising crime levels add to the burden of deprivation.

The figures themselves tell an alarming story. Criminal offences in general increased 10 per cent last year, compounding a rise of 8.5 per cent

Michael Holman investigates reasons for the soaring crime rate

## A high degree of violence

in 1990 over 1989; armed robberies were up 18 per cent (27 per cent in 1990 over 1989); housebreaking in traditionally white suburbs rose 13 per cent (32 per cent), and by double that figure in non-white areas.

The number of whites murdered went up from 365 in 1989 to 438 in 1991, blacks from 11,445 to 14,205, almost certainly linked to the 92 per cent increase in cases of illegal possession of arms and ammunition. (By comparison, 708 people died violently in England and Wales in 1991 out of a population of about 50m.) But the bare statistics do not convey a pervasive mood of unease. A suburban housewife is shot dead in front of her children when her minibus is hijacked; a baby is shot during another car hijacking; a politician describes the night he and other diners at a Johannesburg restaurant were held up by armed men; an office

worker tells of muggings in Soweto.

Security has become a growth industry. Concerned householders are offered electronically-operated gates and garage doors, video intercoms, armed patrols, Alsatian dogs, barbed wire fencing, panic alarms, radio car patrols, and for those who wish to take no chances, "European supervision at night".

South Africans black and white derive small consolation when told that all over Africa the picture seems broadly the same.

Economists are depressed, unemployment is rising, police forces understaffed and under-equipped, and weapons easy to come by.

From Lusaka to Lagos, private security companies flourish, residents seek protection behind high walls topped with shards of broken glass, behind iron gates and barred windows, and hotels warn guests

to take care after dark.

It may well be, however, that politics and crime overlap in a way that makes South Africa unique. "Criminals have become politicised, and politicians become criminals," observes one sociologist.

A depressed economy highlights the grim legacy of apartheid, political reform falls behind aspirations, ex-soldiers and guerrillas turn their talents to crime.

At the same time, the role of the police force - nearly 55 per cent of whose members are black or coloured (mixed-race) - is blurred. One third of the 110,000-strong force are used to curb political violence, weakening its capacity to deal with run-of-the-mill crime.

AK47s, the ubiquitous weapons of guerrillas in southern Africa, can be bought for a few hundred rands, hired over the weekend for less. Many of the rifles have been brought

across the border from Mozambique, where poorly-paid soldiers and rebels readily sell or barter their rifles. According to a police spokesman, some 1,881 AK47 rifles were seized or handed in during 1991 - "a drop in the ocean," comments a private security company - as well as nearly 1,800 other rifles and 2,227 pistols.

Within the white community, dealing in weapons is done over the counter at gun stores catering for hunters and anxious householders alike.

At the end of 1991, there were 1.2m licensed fire-arm holders, with 3.2m fire-arms - suggesting in a total white population of 5m, most white adults possess a weapon.

The good news, however, is that violence on the political front, has been abating - though the situation could change rapidly, particularly after the failure of the last round of constitutional talks.

African and other states now welcome contact with Pretoria

## On top of the world again

"WE'RE international now, you know," said the immigration official at Johannesburg's Jan Smuts international airport. She agreed not to stamp the visitor's passport, as requested - but made clear that his caution dates from a different era.

With barely an exception, African and other states who once refused visas to visitors with South African passports, now welcome contact.

Trade that was once under the counter is coming into the open, cultural and sporting links with the world have been revived, and President FW de Klerk seems to be in competition with Mr Nelson Mandela, the ANC leader, over the number of foreign capitals they can visit.

Last October's Commonwealth conference, when heads of state agreed to lift what

were termed people-to-people sanctions, such as visas and air links, seemed itself a watershed in Pretoria's relations with the world.

However, few events better illustrated South Africa's diplomatic breakthrough on the African continent than the effusive welcome accorded President de Klerk on his historic visit to Nigeria last April. In a hall that placed the guest in the pantheon of anti-apartheid heroes that includes Mr Nelson Mandela, President Ibrahim Babangida put a seal on Pretoria's African breakthrough, and laid the foundations for an alliance between two regional super-powers.

South Africa's admission to the Organisation of African Unity (OAU) - of which General Babangida is chairman - must await formation of an interim government. But once a member, Pretoria will be able

to borrow from the African Development Bank.

Trade and political links have also been established with Egypt and Kenya - the former seen as Pretoria's foothold in the Middle East. They complete a trio of strategic posts on the continent which, Pretoria diplomats believe, would also be appropriate for a post-apartheid government.

The same government officials who once had to cope with a hostile world are now helping mould foreign policy. For the time being, at least, the ANC remains aloof from the process. But Pretoria's officials believe they share common concerns, including the need for a stable transition to democracy in Angola.

"We are an African country, and our problems are African

problems," says Mr Neil van Heerden, director-general of foreign affairs. "We would want to say (to industrialised countries) as a bloc: 'We won't pay the price you won't pay for Mercedes if you won't pay a good price for our coal'."

He treads carefully when reviewing foreign policy, aware that priorities may change should constitutional negotiations reach agreement on an interim government. But he believes that foreign policy, in the past dominated by adversarial relationships, will now be strongly influenced by trading links.

"Our main priority is the Pacific rim," says Mr van Heerden, and expresses some doubt about prospects for membership of the Lome convention, which offers a group of devel-

oping countries preferential access to Europe's markets.

Membership may be difficult and a protracted process, Mr van Heerden believes. "We would look instead for a bilateral agreement between Pretoria and Brussels."

Eastern Europe, once a focus of attention, seems to be declining in significance for Pretoria. "There was a surge of enthusiasm," says Mr van Heerden, which led the opening or revival of several trade missions, "but now we regret it because what you find behind the Iron Curtain is a collection of poor countries."

State and city sanctions will continue to inhibit trade with the United States, but there will be a recovery of US business interest in South Africa, says Mr van Heerden.

The number of American companies fell from 360 to 110 as the disinvestment campaign took its toll. "Now we're seeing US corporations probing the market again."

Michael Holman

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Johannesburg City Council director of commerce and industry Collin Wright is confident that the city will play an increasingly key role in southern Africa's economic well-being.

Says Mr Wright: "Johannesburg is a constantly growing and developing international metropolis. It is the centre of one of the most sophisticated and technologically advanced economies in Africa and it is the gateway to the continent's largely untapped markets. In addition, the greater Johannesburg area accounts for about 60 per cent of South Africa's national economic activity."

"What's more is our national economic activity accounted for 35 per cent of the sub-Saharan and 60 per cent of the 10 southern African countries' GNP in 1989 and South Africa generates half the electricity in the entire continent and its railways handle 90 per cent of the rail freight in Africa."

According to Mr Wright, foreign businessmen and investors are showing keen interest in Johannesburg and international trade missions to the city are increasing. "The reasons are self-evident: The city has an advanced, well-regulated financial system that includes all that would typically be found in a first world economy."

"The Johannesburg Stock Exchange - ranked ninth in the world in terms of market

capitalisation - makes the access to and transfer of capital much easier while maintaining one of the best track records among major bourses in the world. The city's extensive road, rail and air networks form the central junction of the entire transport network of sub-Saharan Africa."

"Johannesburg-based industries have the benefits of being low-cost producers - the cost of employment at all levels is considerably lower than it is abroad, power is relatively cheap and land is readily available. More importantly, Johannesburg is surrounded by a wealth of natural resources - and is all serviced by expert technological, managerial and financial know-how."

"Last year the Washington-based Investor Responsibility Research Centre revealed that American business regards South Africa as one of the best places in the world to make profits. "Now, with South Africa increasingly being welcomed by its neighbours as political barriers crumble, Johannesburg is also widely recognised as the continent's financial, industrial and technological powerhouse. Which is not surprising if you consider that the size and breadth of the existing industrial and service base gives the new investor economies of scale unavailable anywhere else in southern Africa."

"Take minerals for example, of 90 selected minerals produced in Africa in 1990, South Africa had the continent's largest reserves of 18 and was the leading African producer of 10."

The City Council of Johannesburg has given its commitment to accommodate prospective investors to the best of its ability. "Once a prospective investor has indicated interest in Johannesburg as a location, I will, on his behalf, negotiate specific packages with the City Council and other regional and national players," says Mr Wright.

As director of commerce and industry of the city, Mr Wright has the full support of local chambers of business and commerce as well as the Department of Trade and Industry. He is able to draw on the resources of leading research organisations to investigate aspects of business on behalf of interested parties. Ultimate discretion and confidentiality in all these undertakings is assured.

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**REPUBLIC RATINGS**



Poverty will remain the most profound threat to a stable state, writes Patti Waldmeir

# Battle to end the economic civil war

POLYOS is the least of South Africa's problems. For whether constitutional negotiations take months or years, whether apartheid gives way to democracy or autocracy, poverty will remain the central worry for most South Africans, and the most profound threat to a stable state.

"The urgent need to raise living standards and improve the distribution of income and wealth in South Africa poses a major challenge to policy-makers over the medium term," says a recent International Monetary Fund (IMF) report on South Africa.

"Unless the rate of economic growth rises to a level well above that of the last decade, there is little prospect for reducing the current very high level of underemployment in the economy or for generating

people see effective co-operation between business and labour and the state... I think that will be the biggest single contribution we can make to investment."

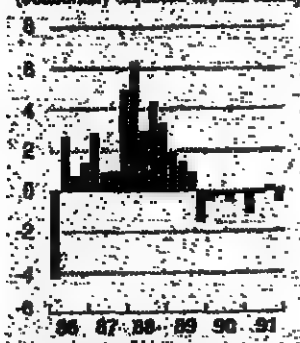
His message could hardly be more different from that of his predecessor, Mr Barend du Plessis, who resigned as finance minister six weeks ago after suffering a nervous collapse. Mr du Plessis clashed repeatedly with the largest union federation, the Congress of South African Trade Unions (Cosatu), over issues such as the introduction of value-added tax, and gained a reputation for arrogance and intransigence which exacerbated economic hostilities.

Cosatu had long demanded the formation of an economic negotiating forum, involving business, labour and the state, to debate the economic future. Within weeks of taking up his new post (Mr Keys became minister of trade and industry and economic co-ordination in January, adding finance to his portfolio in May), the new minister had met representatives of business and labour to plan the forum.

The aim will be to find "a national consensus to hold off on consumption expenditure and apply more to investment," says Mr Keys. In a country where class and economic power divide society as sharply as race and ethnicity, this could prove a tall order. For South Africa's blacks are scarcely in the mood to be told to defer gratification now in the interest of sustainable long-term growth: they expect at least some minimum improvements in living standards - clean water taps in the squatter camps, decent shelter, better education - and the African National Congress (ANC) would ignore these demands at its peril. But the ANC knows that the

## % change in GDP

(seasonally adjusted annual rates)



key to future prosperity will be to promote investment in new productive capacity to stimulate growth and job creation.

Certainly, the record of growth over the past decade could hardly be more dismal. Real gross domestic product per capita has fallen by 1.1 per cent annually for a decade, leaving an estimated 5.5m people, or 40 per cent of the potential labour force, unemployed. For the past three years - when growth could have done so much to smooth the path to political reform - the economy has been in recession, and severe drought has made it likely that growth this year will be negative as well.

The deteriorating fortunes of

CURRENT ACCOUNT BALANCE AND CAPITAL FLOWS							
	1984	1985	1986	1987	1988	1989	1990
Trade balance	2.7	10.0	10.8	9.8	8.0	6.0	4.3
Current account	-2.4	4.1	4.3	3.6	1.4	1.3	2.2
Net capital inflow	1.2	-6.8	-3.6	-1.7	-3.1	-1.9	-1.1
Change in net reserves	-1.3	-2.6	0.7	1.9	-1.8	-0.5	1.1

Source: South African Reserve Bank

the gold industry have also impeded growth. In the 1991/92 fiscal year gold contributed only one per cent of state revenues compared with 9.6 per cent in 1984/85.

The imposition of international financial sanctions severely curtailed what growth there would otherwise have been. To service the country's debt rescheduling agreement with foreign banks, growth had to be choked off at a very low level to avoid a surge of imports, which threatened the balance of payments.

That constraint should soon be removed: international creditors have recently proved much more willing to roll over maturing debts, and some new lending should be available from commercial banks (though this will depend on political stability); from the World Bank (which will make development funds available once a multiracial interim government is installed); and from the International Monetary

Fund (once the US lifts its political veto over such funding).

But Mr Chris Stals, governor of the South African Reserve Bank (central bank), believes an economic structural adjustment programme is needed first to create an environment conducive to growth. "South Africa has an economy where you get equilibrium only at a low level of growth. The moment you push it higher, you get inflation, skills shortages, etc... We need to have higher growth without disequilibrium. That requires action on monetary policy, fiscal policy, trade policy..."

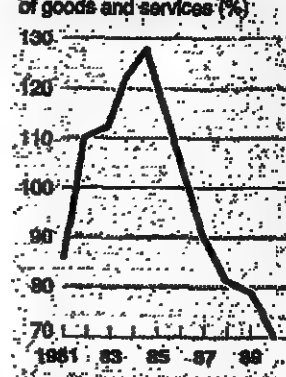
He argues that the Reserve Bank has succeeded in stabilising the financial situation over the past year, with money supply growth now limited to under 10 per cent per annum (compared with 27 per cent in the late 1980s), bank credit extension rising at a rate well below inflation, the exchange rate stabilised and gold and

foreign exchange reserves substantially strengthened, at R5.5bn, enough to cover two months' imports. Inflation, too, is improving, though a large drop in producer prices has yet to feed through into consumer prices, which continue to rise at 15 per cent annually.

But he says more remains to be done in terms of macro-economic restructuring. On this issue, Finance Minister Keys has so far said little. He believes that the economy is basically sound, agreeing with Mr Michael O'Dowd, a director of Anglo American Corp, who wrote recently: "So far from being a 'basket case', the performance of the South African economy in conditions of great adversity has, in recent years, been most impressive."

If Mr Keys plans drastic restructuring to place the economy on a higher growth path, he is not letting on. He accepts the case for lower tariffs, but plans no dramatic cuts, arguing - against received wisdom

## Ratio of foreign debt to exports of goods and services (%)



Source: World Bank

among local economists - that South Africa is not a high tariff economy. He shrugs off the problem of inefficiency and corruption in the civil service, highlighted recently when a commission of inquiry found that the government department which administered the black homelands had wasted or embezzled millions, perhaps billions of rands. And he defends as necessary a budget deficit which will probably exceed 5 per cent of GDP.

"The economy is as strong as a horse," he argues, "but it's got too many jockeys at the moment."

With a characteristically colourful turn of phrase, he elaborates: "Government is sitting

facing forwards, hoping the horse will start off moving. The ANC is on it facing backwards, trying to get the horse to move backwards. Cosatu is sitting on sideways, hoping to claim the credit whether it goes forward or backwards. The private sector is standing holding the reins... bemused by what is happening on top of the horse."

"I see my job as persuading the private sector to start... leading the horse, regardless of what the jockeys think they are doing," he concludes.

He agrees with the IMF, that if economic growth is to be raised to 3.5 per cent a year (the minimum rate required to reduce unemployment) the ratio of investment to GDP will have to rise to 27 per cent from 19 per cent now. But under the IMF's scenario, that would mean a sharply reduced government budget deficit and average real wage growth of under 1 per cent a year. Both those goals are probably unattainable in the face of demands for increased social spending and for redistribution of corporate wealth.

But that, in the end, is South Africa's predicament: democracy cannot survive without growth; but the road to democracy is littered with so many impediments to growth - political instability, demands for social spending which boost inflation, labour militancy - that the democratic goal may never be achieved. It could hardly be a more daunting prospect.

# SOUTH AFRICA IS ABOUT TO DISCOVER COLUMBUS

KEY FACTS 1991	
Area	1,238,404 sq km
Population	36.5m
Head of state	President F.W. de Klerk
Currency	Rand
Average exchange rate (commercial)	\$1 = R2.7821
Economy	
Total GDP (\$bn)	107.4
Real GDP growth (%)	-0.6
GDP per capita (\$)	2,896
Consumer price (% change pa)	+16.3
Manufacturing production (% change pa)	-3.3
Mining production (% change pa)	-2.3
Reserves including gold (\$bn)	3.9
Discount rate (% pa, year end)	17
DBP index (% change)	38.67
Total external debt (\$bn)	19.4
Current account balance (\$bn)	2.7
Exports (\$bn)	23.7
Imports (\$bn)	17.1
Trade balance	6.8

\* Including independent homelands. \* Johannesburg Stock Exchange  
Source: S.A. Reserve Bank, Mail & Guardian

## Struggle for power

Continued from previous page  
sensus. Delegates re-assembled for Codesa's second plenary session to consider reports from five working groups, appointed at the opening round last December. They dealt with five key issues:

- Creating a climate conducive to negotiations or "leveling the political playing field", as it has become known.
- Constitutional principles, and a constitution-making body.
- Agreeing on arrangements for the transition.
- Determining the future of the homelands.
- Working out the timetable for change.

Four of the committees were able to reach broad agreement and present their reports, although some serious differences were papered over.

However, Codesa failed to clear what may prove to be its most important hurdle: an agreement on how decisions are to be taken in the constitu-

tion-making body, paving the way for installation of a transitional executive and elections to the constituent assembly, which will also act as an interim legislature.

Underlying the proposals and counter-proposals about the percentages required for decision-making in the constituent assembly is the fundamental issue: where will power lie in a post-apartheid South Africa?

Or to put it another way: Will whites, in alliance with minority black parties, have a veto on change? Codesa ended in deadlock. The working groups were suspended, and the management committee - comprising senior members of all main parties - was charged with finding a way out of the most serious hold-up in the negotiating process since Mr Nelson Mandela's release in February 1990.

Michael Holman

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(Source: Finance Week, March 5-11)

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But, most important of all, Columbus will establish South Africa as a first division player in another core industry. By 1997 South Africa will be the world's fifth largest producer of stainless steel.

Such a project requires more than investment to succeed. It needs imagination and long-term commitment. Anglo American has always recognised the need to convert South Africa's natural riches into added value products to prove the country's true potential as a manufacturing nation, not just a land of mineral wealth.

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Today, that faith has paid dividends. Highveld is now the largest producer of vanadium in the world, exporting 99 per cent of its production across the globe.

Columbus will have an even greater impact on South Africa's international trade; over 60 per cent of its production will be exported. State of the art technology, abundant raw materials and cheap energy will mean that its stainless steel can test the mettle of any competitor in any market.

South Africa needs such exports. And the exports depend on big private organisations which are capable of undertaking large and important projects without risk to public funds. Projects that will be the engine of growth for all southern Africa.

This co-operation between Anglo American and Gencor - as two of South Africa's biggest companies pool resources, expertise and determination - shows just how great that growth could be.

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## SOUTH AFRICA 4

THERE has been a revolution in the economic rhetoric of the African National Congress (ANC) in the two years since ANC economists returned to South Africa from exile. Only time will tell whether policy itself reflects the moderation in rhetoric.

The movement's first economic policy document, issued in September 1990, refers to the capital markets as a grand "paper chase", which must be harnessed to broad development objectives by a powerful state; calls for the establishment of "new state-owned financial institutions" to direct international and domestic finance toward development; proposes a National Development Plan to govern economic policy; and suggests voluntary or compulsory nationalisation of strategic enterprises.

The guiding aim of the whole was to create "growth through redistribution", an idealistic

Patti Waldmeir examines the ANC's economic policy

## Moderate rhetoric

policy based on the premise that spending money — on social services and basic consumer goods — would somehow create wealth.

Mr Tito Mboweni, senior economist in the ANC's department of economics, points out that the movement's April 1992 policy document does not mention growth through redistribution. "That is no longer our policy," he notes, musing, "It's more complicated than that."

The new policy document was debated at a crucial policy conference at the end of last month. Its moderate message survived the conference.

Partly, this can be explained by the fact that the document

skirts many contentious issues. It eschews any "rigid ideological framework" in determining the role of the state in the economy, then sets out three possibilities:

■ Increasing public sector economic activity through, for example, nationalisation (subject to compensation) or by purchasing a shareholding in companies through the market process;

■ Establishing new public corporations or joint ventures between the state and the private sector; or

■ Reducing the role of the public sector by privatisation.

With such a list to choose from, outsiders can be certain

of only one thing: the ANC is keeping its options open on state ownership.

This also seems to be true of many other areas of policy. The old interventionist certainties, which many ANC economists brought back from exile in the eastern bloc, have not survived a brush with South African economic realities.

WHILE THE architecture of South Africa's constitutional future is painstakingly negotiated at the Convention for a Democratic South Africa (Codesa), the responsibility for the economic foundations of that structure is lodged squarely with one man — Derek Keys, the minister of finance, trade and industry and economic co-ordination.

His task is as onerous and demanding as his title is long. It is also, in a way sort of way, simple. He must arrest the declining standard of living of South Africans which, if it continues unabated, will undermine any constitutional settlement. The real gross national product per head of population declined to R3,275 in 1991 from R3,905 in 1981.

The main issue is growth, as Mr Keys has many times stressed since taking office in January — he assumed the Finance portfolio in May following the resignation of Mr Barend du Plessis. Though constitutional politics still dominates the public agenda in South Africa, the urgent need for growth is beginning to take on mild tones of hysteria, and not without reason. South Africa recorded negative economic growth of 0.5 per cent in each of 1990 and 1991 and looks set for another year of negative growth in 1992.

As Mr Keys is discovering, the burden of expectations is enormous. Though he comes to the job with the unanimous blessing of the business community, he has already been

One senior economist spent his first weeks back in Johannesburg in 1990 confidently plotting the dismemberment of Anglo American Corporation, and the other conglomerates which dominate the economy. Now he argues that big is not necessarily bad, and cautions against any action that would impede the ability of the conglomerates to compete internationally. Chances are that the ANC will, in the end, pursue an active anti-trust policy which will reduce the exaggerated concentration of economic power; but officials insist they will carefully weigh the risks.

"We want to mobilise resources for development, but we don't want to destroy the economy in the process," says Mr Max Sisulu, economics department head. That caution is reflected in almost every recent economic pronouncement: ANC officials favour some kind of post-apartheid levy, or wealth tax, to finance development in the immediate aftermath of apartheid; but, in spite of squeals from white South Africa, this is not without international precedent.

Mr Mboweni stresses the need for fiscal discipline. "There is a need to avoid infla-

tionary deficit financing at all costs". He mentions, approvingly, the IMF guideline that the government budget deficit should not exceed 3 per cent of GDP; yet the present government will be lucky to run a deficit of 5 per cent of GDP.

Given a chance, Mr Mboweni will also argue the case against a compulsory national minimum wage, stressing the importance of job creation which might be jeopardised by an imposed minimum. And while the September 1990 document focuses on the responsibilities of foreign investors, Mr Mboweni now says the best

way to attract foreign investment is to create a favourable environment: stability, democracy, guaranteed profit remittance.

It is too soon to say whether the new moderate rhetoric of the technocrats will survive the demands placed on the ANC's politicians when they assume power. For some of the ANC's senior political figures take a much harder line on nationalisation and other issues than the economists who write policy documents.

In the battle to win and keep power, populist economics may yet win the day.

Profile: DEREK KEYS

## Burdened by expectations

ambushed by free-market critics, particularly in the areas of tariffs and taxes, distressed at his unwillingness to engage in precipitate, across-the-board cuts. Others, less concerned by ideology, are nonetheless bemused at his approach to the task at hand. A grand plan to turn around the economy is sought, and none is forthcoming. Instead, Mr Keys resorts to tantalising vagueness with phrases such as "There's nothing to do but return to the old virtues".

Those familiar with the Keys method, however, warn against confusing style and substance. Thus Brian Gilbertson, Mr Keys's successor as chairman of the mining house Gencon, and one wholly admiring of his achievements, comments: "In four years of working for Derek I never saw him do any work. When I would come into his office he would either be reading the FT or standing at the window looking at the pigeons outside." On reflection, he says, there were four or five instances in which he saw Mr Keys working. He hastens to add, though, that Mr Keys was always impeccably prepared for board meetings, and his interventions, measured in their frequency, were often decisive.

A memorable anecdote about Mr Keys concerns the occasion on which he returned a memorandum delivered to him for decision by two senior managers with the comment, "I don't feel like Solomon today."

What Mr Keys's civil servants make of his management style is not a matter of public record. Some of it they will like, such as his habit of praising his senior lieutenants lavishly, and empowering them to take important decisions. The flip side of this they are likely to find most disconcerting — his resolute insistence on delegating not only the power to take decisions, but the responsibility for them, too.

Those wishing to assess how Mr Keys is likely to approach his job would do well to examine his time at Gencon. During the five and a half years there he achieved enormous success,

much of it attributed to his managerial style and proficiency. He turned around an unwieldy, bureaucratic conglomerate, whose performance and rating were poor, into a highly-rated, entrepreneurially-driven and successful one. His main tools were to decentralise the group structure, empower the management and focus the group's activities through its mission of achieving real growth.

His present task may be different, but there can already be no doubt that he is practising the same managerial principles.

For Mr Keys, the way to achieve higher growth is through more investment, and the way to encourage this is through raising levels of confidence. This is not something he can achieve unilaterally: political uncertainty and vio-

lence are outside his ambit. Where he can achieve a great deal, however, is through helping forge an economic consensus among the main political actors.

With the establishment of an economic forum, on which the state and all the main business and labour bodies are represented, the wheels of co-operation are in motion. To the question of whether the forum is not just corporatism of the sort discredited in many other countries, Mr Keys replies: "This country would register an economic advance if we got to the corporatist stage."

A crucial question is how long Mr Keys will have in office. Most businessmen believe he needs at least five years, presiding through the transitional phase and into the first post-apartheid government. His lack of political and ideological baggage is a plus factor, but as one ANC spokesman commented: "He's a very nice fellow, but at the end of the day he's in an apartheid cabinet."

Philip Gawth

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ON THE surface, it is business as usual. Mining men tell you, with the studied assurance of the old hand talking to the ingenu, that "Yes, we're at the bottom of the commodity cycle, and yes it has been a long and deep downturn, but no, we're not worried - we've been there before and we'll be there again."

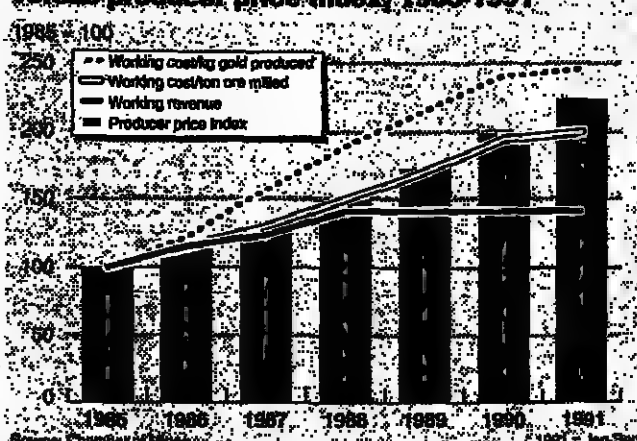
They are being economical with the truth. Low commodity prices may well be familiar territory for resource companies, but there are at least two reasons for believing that South Africa's mining industry is at a more important juncture than the bottom of another commodity cycle. The first concerns politics - the downturn coincides with South Africa's emergence from political isolation, an event rich in business implications. The second, gold: in previous cycles there was the prospect of the gold price, and hence the fortune of the industry, performing counter-cyclically. The fact that gold has become just another commodity, however, has removed this cushion and focused increased attention on the future of the industry which is still at the heart of the economy.

The contribution of the mineral industry to South Africa's gross domestic product in 1991 amounted to 10.4 per cent. Mineral exports contributed 46 per cent of South Africa's total merchandise exports of R66.3bn. Gold shares was just over R19bn.

Beneath the veneer, there is little doubt there is some hard strategic thinking about the way forward. Some of it will be painful - coming to terms, for example, with the fact that the pre-eminence of gold within exploration budgets can no longer be justified - but much of it will be challenging. At present the impression is that while political reform has released the industry from its geographic jail, it is still blinking as it gets used to the light. This is hardly surprising. Management spent much of the 80s engaged in an epic battle with a fledgling, but powerful, trade union movement. There was little time for strategic thinking, nor did the country's circumstances encourage it.

Understandably, the first post-apartheid trend to emerge has been the mining houses going "outward bound". Mr Brian Gibberson, the chairman of De Beers, clearly speaks the industry's mind when he says: "Internationalisation is an important concept. It is an important concept."

Increases in working costs and revenue of gold versus producer price index, 1985-1991



## MINING

# Hard thinking about the future

achieved anything like what we would want to achieve." In pursuit of this ambition, Genor and other groups have their geologists scouring Africa, South America and parts of Europe for deposits.

As Mr Nick Segal, group consultant on strategy and public affairs at Johannesburg Consolidated Investments (JCI), notes, however, there are interesting tensions in this process. From a balance sheet point of view, it makes sense to become an operator in a First World environment where there is a more stable operating environment; access to superior technology and less currency risk. On the other hand, the mining houses have an irrevocable South African complexion and hence a powerful interest in contributing to the political and economic stability of the region by investing there.

Perhaps the trump factor in this process will be exploration. Mr Bernard van Rooyen, executive director at Gold Fields, comments: "South Africa has a remarkably rich range of minerals, but it is also remarkably well explored." By contrast, many African countries have hardly been explored at all in the post-colonial era. Within South Africa, Mr Van Rooyen notes, with all known leads pursued, the challenge is to conceptualise where, in younger rock formations, mineralisation might occur, and then to find means

of accessing such deposits. The enthusiasm with which mining houses explore opportunities abroad will also depend on what options they have on the home front. Here the tables are by no means evenly laid, and one reason why Genor is understood to be taking a fairly gloomy prognosis for the future of gold, while being more enthusiastic about internationalisation and beneficiation as the way forward, may be their lack of a good mineral rights lobby.

In terms of important projects, beneficiation is the present focus. There should be decisions within the next six months on whether to go ahead with the Columbus stainless steel project, a joint venture between Anglo American and Genor, and the Alusaf aluminium smelter - a Genor project. Although their costing remains unclear, Columbus will probably cost about R3bn while Alusaf will be closer to R5bn. Both will be very large with Columbus planned to have a smelting capacity of 600,000 tonnes a year and the Alusaf expansion 486,000 tonnes a year.

The second half of 1992 will also see De Beers's Venetia diamond mine come on stream, as well as the Northern platinum mine, owned by Gold Fields. All platinum producers are expanding capacity.

The most significant recent capital expenditure announce-

ment was Anglo American's decision in April to spend R1.7bn on the Moab extension to the Vaal Reefs gold mine. Some analysts have expressed scepticism about the viability of the project, to the extent of claiming that the decision is almost a political statement of belief in the future of gold. That may be the effect of the announcement, especially coming at a time when the gold price was at a six-year low of \$335 an ounce, but Anglo clearly believe they have a commercial proposition. Notwithstanding the extreme depth and geological complexity of the mine, it has estimated recovery grades of 11 grammes a tonne making it rich by modern standards.

In spite of Anglo's announcement, the gold industry is at a low ebb. Without a better gold price, the industry is destined to shrink with JCI, Anglovaal and Gold Fields all sitting on substantial deposits which cannot be viably developed at present prices.

Although producers outwardly are putting on a brave face, most of them can see rising costs, but no rising prices. In the period 1988-91 the gold price stayed in a very narrow range of about R1,000 per ounce with inflation running at about 15 per cent per annum. Few are brave enough to hope for anything better and, in spite of the enormous strides made by the industry in containing its costs, the profitability of the marginal mines continues to deteriorate with a number certain to close in the near future. At present prices, uneconomic gold mines account for about 12 per cent of total production and 15 per cent of employment.

The consequences of further lay-offs will be serious. Employment in the industry has already shrunk from 834,000 in 1986 to about 400,000, with the tragedy being not only that these workers often have many dependants, but that they are in most cases illiterate and unskilled and hence have little chance of alternative employment.

While most mining houses are involved in quasi-welfare work through training, education, and housing assistance schemes, they are helpless to assist once a worker is laid off. Thus it is not only for reasons of self-interest they are hoping the upturn in the commodity cycle will be a strong one.

Philip Gawith

Patti Waldmeir visits a Karoo town where race is a tortured subject

## Catalogue of absurdities

CARNARVON, at midday, is a bleak and blighted place. On the hot pavements of this remote Karoo town - set in what novelist Alan Paton describes so evocatively as "a semi-desert land of space and freedom, of heat and rock and thorn" - jobless Coloured (mixed-race) labourers idle away the day, in listless conversation.

White matrons pass them, dressed in the outdated fashions of South Africa's rural heartland, before entering the cool interior of the Middle Karoo Co-operative or the Mul-ti-save grocery. With the practiced evasion taught by apartheid, they ignore the glances directed at them from pavement and kerb. The new South Africa will be a long time coming.

In an area like this, I don't see how apartheid can be removed, because people are so far apart," says Dominee Arrie Leeuwenink, pastor of the Dutch Reformed Mission Church, which administers to the town's coloured population. Like every other institution in South Africa, the church has separate branches for whites, coloureds and blacks. In Carnarvon, the white and coloured churches are almost side by side: the coloured church (which serves a population of 7,500) is cramped and tiny, dwarfed by the solid edifice which serves the 900 whites.

Pastor Leeuwenink, who is white, tells a sad tale of racism in Carnarvon. Though the church has decided in principle to integrate, he speaks wistfully of a plan for a joint choral evening, which never seems to get off the ground, and notes that when a few coloured students visited the white church last year, some parishioners left in outrage to join a white separatist splinter church. Pastor Leeuwenink and his wife are shunned by most of the town's whites, because they occasionally dine with their coloured parishioners; he was detained for 45 days in 1986 as a "communist".

Indeed, the history of Carnarvon provides a catalogue of apartheid absurdities rivalled by few towns in South Africa. Unusually for the Karoo,



Dominee Arrie Leeuwenink and his wife talk to a coloured parishioner

which was originally populated by light-skinned Bushmen and Hottentots, Carnarvon was founded as an African town, settled by Xhosa tribesmen from the Eastern Cape.

History is flexible here: some say they were rewarded with farms at Carnarvon because they fought on the side of white settlers in the Eastern Cape, others that they were sent thousands of kilometres away to the Karoo to get rid of them. Local historians also disagree on how the African farmers lost their land: either it was stolen from them by whites, or they sold it because they failed to farm it profitably.

Either way, Carnarvon started out as a town of whites and Africans. Yet there is no African township in Carnarvon today: indeed, thanks to apartheid's lunatic system of race classification, there are no Africans. There are only Coloureds, the mixed-race group which is one rung above the African on the apartheid ladder; coloureds live in better houses, go to better schools and receive higher state pensions than Africans.

This is not due to wild miscegenation between Carnarvon's whites and Africans (though illegal inter-racial sex was not uncommon). It resulted from the actions of Mr Andries Bosh, (sic), grandfather of anti-apartheid campaigner Allan Bosh, who was charged with registering births in the local

magistrate's office. Mr Bosh, an educated man who captained the Carnarvon cricket team in the days before apartheid, wilfully reclassified blacks as coloureds, with no racial basis for the decision, to flout apartheid and to ensure that the blacks of Carnarvon were not deported (as millions were from the rest of South Africa) to a new Xhosa homeland in the Transkei.

So when residential segregation was introduced in the 1950s, Carnarvon had only white and coloured areas - there were no blacks, so there was no black township. But even this threw up its own anomalies: for there was one prominent family of Indian shopkeepers in town, but no Indian residential area.

Apartheid deemed that the only solution was to force the Ahmed family to move several hundred kilometres to the nearest Indian settlement. They fought the decision in the courts, and were granted an indefinite permit to reside in a coloured area. They outwitted apartheid, and went on to buy most of the small businesses in town, including that business of Afrikaans business, the Middle Karoo Co-operative. And, as a final ironic twist, young Goolam Ahmed recently purchased a homestead outside Carnarvon from a farmer who left town to join an all-white colony nearby.

Against that background, it

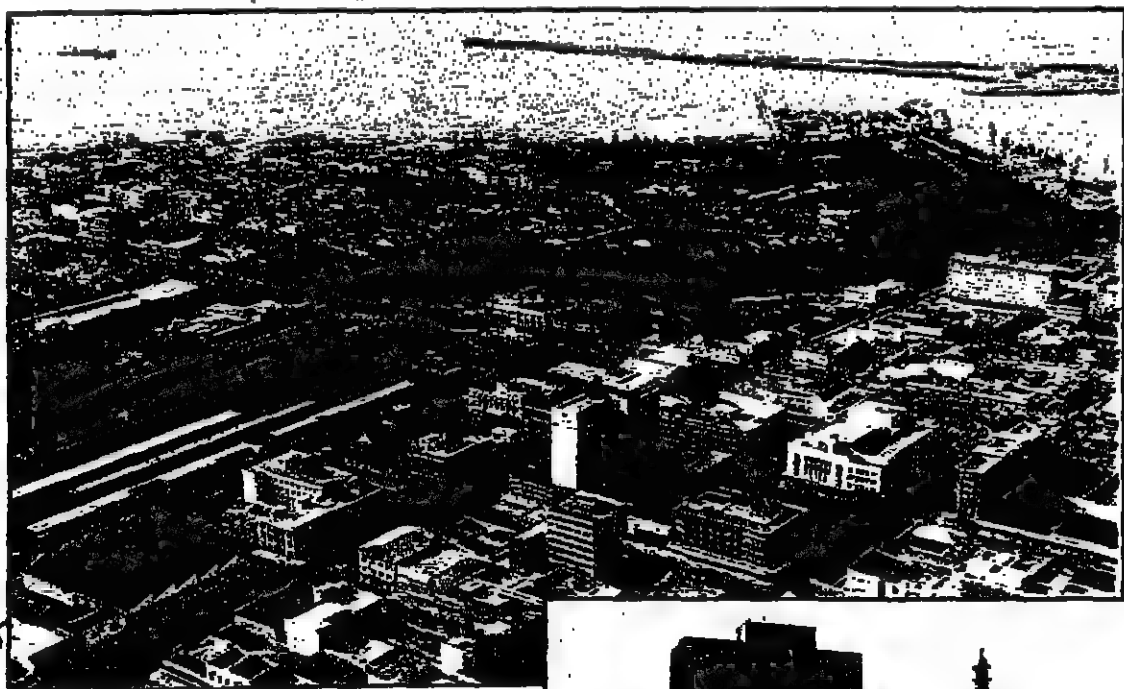
is small wonder that race is such a tortured subject in Carnarvon. Integration has finally begun: since residential segregation was abandoned last year, some 15-20 coloured families have bought houses in the former white area. But the move was driven by economics, not a spirit of reconciliation: the dwindling white community, which has lost jobs due to recession and drought, could provide no buyers for the houses, which sold at R20,000-R30,000, a fraction of their former value.

The municipal swimming pool, too, is no longer segregated - though locals disagree on why it is not in use. Mayor Henrie Jacobs says there is no water; township residents believe there is a more sinister reason.

Young Koos, a coloured township activist, concedes that residential segregation has gone, but says inter-racial relations remain the same. "The heart of the Boer (Afrikaner) must change," he insists.

That, says Dominee Leeuwenink, may take a long time. "South Africa without apartheid will definitely be a better place, but the damage done by apartheid is so great that it may not seem so," he says regretfully. "It's like the Israelis looking back and saying it was better to be slaves in Egypt. There's a lot of moving through the desert yet to come."

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## SOUTH AFRICA 7

Phillip Gawith explores the potential for foreign investment

## Hopes for psychological boost

YEARS of international isolation have left a deep scar on the psyche of white South Africa, reflected in a desperate desire to be fully integrated into the community of nations.

The international travels of President F.W. de Klerk and the national cricket team's reacceptance into world cricket have given satisfaction. The acid test, however, lies at home. South Africans need to see three things to let them know all is well again: foreign tourists, foreign sportsmen and foreign investors. A plethora of national carriers at Jan Smuts airport and visits later this year from the All Blacks and the Wallabies offer reasonable comfort on the first two counts. Of foreign money, however, there is little sign.

The reasons for this are not hard to find, nor are they particularly ominous. The issue, however, is not one of economic need. South Africa is not so much short of money as it is of investment opportunities that inspire confidence. "The problem, rather, is psychological: foreign investment is sought as the imprimatur that the outside world believes South Africa has a reasonable future. Without it, South Africans are prone to believe that clear-thinking outsiders have seen the future, and they do not like what they see."

Since February 1990, there has been little flow of capital into the country. Indeed, there has been a net outflow of foreign money from the capital markets, albeit at a progressively slower rate in recent years. In 1991, net equity sales by foreigners amounted to R4.1bn, while net purchases

of gilts amounted to R2bn.

In terms of direct investment, it is instructive to look separately at South Africa's four main trading partners: Germany, UK, Japan and US. The chances of seeing any large headline investments from either of the UK or Germany is very small for the simple reason that most large companies from these countries are already invested in South Africa. Mercedes-Benz, Volkswagen, BMW, Hoechst, Bayer, Siemens - they were all here before sanctions and they never left. Likewise with BP, Shell, GEC, Lonrho, RITZ, Unilever and others.

Most of these companies, naturally, are continuing to invest in their operations here. Mr Peter Bacon, the British commercial consul, comments: "Having stuck it out through all the political problems and the economic recession, they are determined to stay and reap the benefits."

The US and Japan offer most scope for new entrants to the country. Although the six main Japanese trading houses have offices here, and companies such as Nissan, Toyota and Panasonic are present, albeit in a local guise, Japanese companies were banned from investing in South Africa from 1988 until recently, and hence

are under-represented. The US position is different: many companies were here, but about two-thirds left during the sanctions period. Mr Don Steinberg, counsellor for economic and commercial affairs at the US Embassy, notes that in 1984/5 there were about 360 US companies in South Africa, with a total investment of about \$2.7bn. This has now dropped to 110 companies with investments worth about \$900m.

Mr Steinberg reports a "dramatic increase in interest in South Africa. My visitors' list looks like a list of the Fortune 500. This is too important a market not to find out what is going on". Indeed, South Africa remains by far the largest site of US investment in sub-Saharan Africa, being home to about half of all US non-oil investment in the area.

Mr Steinberg says that US investors are not, as many suppose, taking a "wait-and-see" attitude. He says that there are four to five companies on the verge of announcing "major new deals" in South Africa. They are merely waiting for some trigger political event, such as an interim government or an ANC welcome to foreign investors, before going ahead. The names most often mentioned in the Press are Pepsi, Heinz, Sara Lee and Apple.

Mr Steinberg cites five main areas where US investors have shown an interest:

■ Black consumer market - cosmetics, appliances, food franchising. Electrification projects are expected to open up vast consumer markets, as is the rising income levels of employed blacks;

■ South Africa as an export platform into the region, which was previously serviced by other subsidiaries;

■ Involvement of US contractors in regional projects where South Africa is likely to be the importer of the final good or supplier of capital and expertise;

■ Socio-economic spending in South Africa, which should have spin-offs in areas such as health and education equipment; and

■ Investment by existing companies.

Although the US is the most likely source of a "headline" investment in South Africa, other countries are certainly not standing still. Some of the existing German companies are spending heavily, with Mercedes-Benz and BMW engaged with capital expenditure programmes of R500m and R300m respectively. There has also been a string of high profile visitors from Germany including the minister of economic affairs, the agricultural, eco-

nomic and transport committees of the Bundestag, various deputy ministers and numerous individual politicians.

Likewise, Mr Bacon reports a fourfold to fivefold increase in the number of business visitors and market information inquiries compared to two years ago. Last year also saw about 10 large, officially-funded British trade missions to South Africa. Mr Bacon estimates that about 35 per cent, or R2bn, of foreign investment in South Africa is British. He notes that in terms of profits and dividends, South Africa is the UK's seventh largest foreign earner.

South Africans dream optimistically about being swamped by waves of Japanese investment. The truth is likely to be more mundane. Mr Shuji Okita, president of the newly-formed Japanese Chamber of Commerce and Industries in South Africa, says that although Japanese investors believe South Africa has a lot of potential, they are not in a hurry and it will take time for them to develop their investments. He believes they are more likely, in the first instance, to seek joint ventures with well-established local companies than to invest directly.

Mr Bacon endorses this view suggesting the logical order for development is that companies are first likely to appoint distributors for their products. If this goes well they will consider manufacturing under licence, or some sort of joint venture, before taking the route of setting up their own operation.

From the foreign investor's perspective, there is clearly ample reason for caution.

There remains a high degree of political uncertainty and the economic policies of a future government are also unclear. Add to this a familiar list of sins - high inflation, high tax, low labour productivity and the risk of a depreciating currency - and one has a fairly powerful list of disincentives. South Africa also has many powerful and well-established companies which are likely to give any foreign competitor a torrid time. Finally, South African companies have not exactly been falling over themselves to invest in new capacity. There are no grounds for expecting foreigners to be any different.

The flip-side is obvious: the market has enormous potential. It promises also to be very profitable. Mr Steinberg says that in 1991 the US investment of \$900m earned profits of \$126m. There are not many countries offering that sort of return.

From South Africa's point of view, foreign investment will be a bonus rather than a necessity. The main benefits are likely to flow in terms of enhancing competition and allowing technology transfer, rather than in terms of sheer volume of capital flows. Even here, the flows would not have to be particularly large to make an important difference.

For the time being, though, investment trends are being obscured by the underlying growth environment. With South Africa likely in 1992 to record its third successive year of negative growth, investors can hardly be blamed for holding off until there are some signs of growth returning to the economy.

Complicated merger streamlines financial services sector

## New market beckons for banks

THE South African financial services sector is in healthier shape than it was a year ago, and the man most responsible for this is Mr Piet Badenhorst, the formidable chief executive of Amalgamated Banks of South Africa (Absa).

Driven by a healthy ego and massive determination, he is a feared and respected figure in the banking community. Last year, he was the driving force behind the complicated merger which brought the United Building Society (UBS), Volkskas, Allied and part of the Sage group together to form Absa. This year he took the process a stage further by swallowing up Bankorp, the weakest of the big five banks in South Africa, in the process making Absa by far the largest bank in the country in terms of assets (the Standard Bank group remains largest by market capitalisation).

Absa have a lot of digesting to do, and not all of it will be pleasant. "Merger business is hell on wheels", in Mr Badenhorst's own graphic phrase. Apart from having to effect a very high number of retrenchments, Absa also have to come to terms with the spilt apples

which constitute part of Bankorp's inheritance. As one senior banker notes: "The last bite of the cherry may not be so sweet as the first."

While Absa, for some time yet, will remain preoccupied with putting its own house in order, the impacts of the shake-up in the sector promise to be far-reaching. Mr Badenhorst believes the formation of Absa will have two main effects: "maverick marketing", the product of too many institutions competing for the same business, and epitomised by "ridiculous rates of interest being paid and credit being offered without proper screening", will cease with four institutions now under the same umbrella. Second, with less competition for employees, terms of employment will become more realistic as, in Mr Badenhorst's words, the "artificial scarcity of skills" disappears. "The employment mar-

ket is shifting to the employer," he says.

The significance of the Absa merger is that the operational savings are large enough to give the group a fundamental advantage in terms of providing a low-cost banking service. South Africa has a very sophisticated financial services sector, but it is very much oriented towards the needs of the white, essentially First World, community. The challenge of the future is to address the needs of the developing market - largely black, and Third World in nature.

Mr Louis Shill, chairman of the Sage group and also chairman of the Life Offices Association (LOA), believes that the challenge facing all providers of financial services in South Africa is to "get down our unit costs to provide mass market products". The challenge to be overcome is that it is very difficult to be profitable with

below-average sized products, whether they be bank accounts or life policies.

Mr Shill believes that addressing the needs of the new market will require new structures. "We can't take our company that is aimed at the very upper end of the market and adapt it to a completely different market. There's a world of difference between Harrods and Pick 'n' Pay (a South African supermarket), though they both supply food." New products will also be required and intensive education of staff and clients.

Mr Shill notes, for example, that at the lower end of the market, life policies are primarily seen as savings devices, and it is not always appreciated that the money is not available on call.

At the moment, addressing the needs of the black market tends to take the form of large groups setting up satellite operations, such as Liber-

ty's Charter Life and Southern's African Life, in the insurance field, and First National Bank's Future Bank Initiative. Mr Badenhorst, however, argues that the process must go one stage further. He says there is a perception and a need in the black community that they need their own institutions. He envisages these developing, probably with the assistance of existing banks, initially at the lower end of the housing finance spectrum.

Although the jockeying for position in the developing market is driven by a keen sense of where new business is going to come from, it goes further than this. Conrad Strauss, chairman of the Standard Bank group, comments: "The conflict between poverty and democracy is South Africa's greatest dilemma. If we want to survive in a democratic society we First World institutions must get involved." He notes that the commercial banks play



Volkskas, Pretoria: part of the giant Absa group of banks

more of a role in the urban areas where their activities are centred. Addressing the financial and developmental needs of the rural communities is a burden, he suggests, which

will have to be carried more by parastatal bodies.

Other than addressing the developing market, the main strategic challenge facing the local banking industry is their re-integration into the world community. On the one hand, this involves setting up offices abroad. Local banks are anxious to "follow the flag" and set up offices abroad so they can provide services, primarily trade finance and foreign exchange advice.

On the other hand, banks are facing the prospect of foreign competition on the home front. The areas where this is most likely to come in is in the "blue-chip" corporate market and project finance. Foreign banks can set up representative offices, unrestrained by local capital requirements, and offer off-shore credit lines at lower rates than local banks.

Their experience in project finance will probably also allow them to obtain a share of the business if significant capital projects such as the Columbus stainless steel venture get the go-ahead. Foreign banks will not attempt to compete with high-street banks and local merchant banks are also considered to have a strong

hold on mergers and acquisitions business.

The main day-to-day challenge for the banks is maintaining profitability in an inflationary environment. Although the impact of a protracted recession is evident in the sharply higher provisions for bad debts at the large banks, these have been more than offset by the comfortable interest margins of about 4 per cent that are being enjoyed. Recent results from the Standard Bank group, First National Bank and Nedcor saw earnings per share rise by 20 per cent in the case of the first two and 13 per cent in the case of Nedcor. Although all the banks are anxious to put assets on their books, demand for credit is low and banks themselves are lending very selectively.

South Africa's main banks are all adequately capitalised, though it is difficult to maintain this position through retentions alone given the high inflation rate. This explains Standard's offering of a scrip dividend option and the recent rights offer by First National Bank, taking advantage of a favourable market rating.

Phillip Gawith

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Dr. Ian McRae

Chairman of the Board, and member of the Executive Committee of the Industrial Development Board of South Africa



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## SOUTH AFRICA 8

Patti Waldmeir looks at regional development

## Plans to redraw map

"IN THE 1970s, it was a fantastic offer to establish here," says Mr Hermann Dedekind, manager of Springbok Clothing, one of the tenants of the Sabelogi industrial estate in the nominally independent black homeland of Bophuthatswana.

"But now you really wonder if it's worth it to come here. If it hadn't been for the huge incentives of the 1970s, we wouldn't have come," he concludes, passing judgement on the policy of industrial decentralisation which was a cornerstone of apartheid, and one of its most costly legacies.

For the aim of apartheid - euphemistically known as "separate development" - was to remove all blacks from South Africa to designated black "homelands" where they would pursue their own separate tribal nationhood. But apartheid's planners knew that blacks would not remain segregated in the homelands without jobs; so they spent billions of rands to persuade white businesses to set up, either in the homelands or on their borders, to help develop them into viable economic units. The idea was to give the homelands an economic as well as political rationale for existence.

Now the sinister political motive which spurred industrial decentralisation has been abandoned, but the problem of developing remote areas which are home to half the black pop-

ulation remains as acute as ever - perhaps more so, as the African National Congress (ANC) and the government are committed to helping those most disadvantaged under apartheid.

"Forty per cent of our people reside in overcrowded and underdeveloped rural slums," says a recent ANC document on regional policy. "They will, along with all their compatriots, be important voices in the land... Their demand for roads, electricity, water, rural extension services, schooling, clinics, cinemas, swimming pools and running tracks will be strong."

And as both parties favour a strong regional bias to the constitution - Pretoria wants a federal constitution, while the ANC favours a unitary state with significant regional autonomy - the issue of regional development will remain a vexed one. The government has already proposed redrawing the map of South Africa to include nine development regions, rather than the present four provinces. The ANC largely agrees, though it proposes a tenth region.

Uncontrolled urbanisation

could well frighten a new government into making decentralised development a priority. For South African cities are already struggling - and in most cases failing - to provide accommodation and jobs for millions of immigrants from the rural areas. By 2010, the Urban Foundation, a business-funded think tank, believes black urbanisation will reach 69 per cent, adding 14m to the urban total. Any new government may well be tempted to try to stem this flow, which would overwhelm urban infrastructure, by investing in development away from the main urban centres.

Indeed, in a recent document the ANC says its aim is to promote "a more balanced pattern of industrialisation capable of overcoming the current acute over-concentration of economic activity in certain urban areas".

But as the National party can tell them, this is dangerous ground. According to a government study published by the Development Bank of Southern Africa in 1990, the so-called Regional Industrial Development Programme was costly, inefficient, and failed to stim-

ulate "self-sustaining growth and coherent regional development". The programme involved a range of extremely lucrative incentives to attract industry to remote regions, or to areas on the edge of existing metropolitan areas - but always in or next to a homeland. The incentives included transport rebates, subsidised power, housing loans, provision of infrastructure, loans for capital requirements, interest rate subsidies, and a cash incentive in some cases equal to 80 per cent of the wage bill.

The Development Bank study found that the number of jobs created was "relatively insignificant", that 74 per cent of firms which benefited from the incentives were unprofitable, and that the system was subject to widespread abuse.

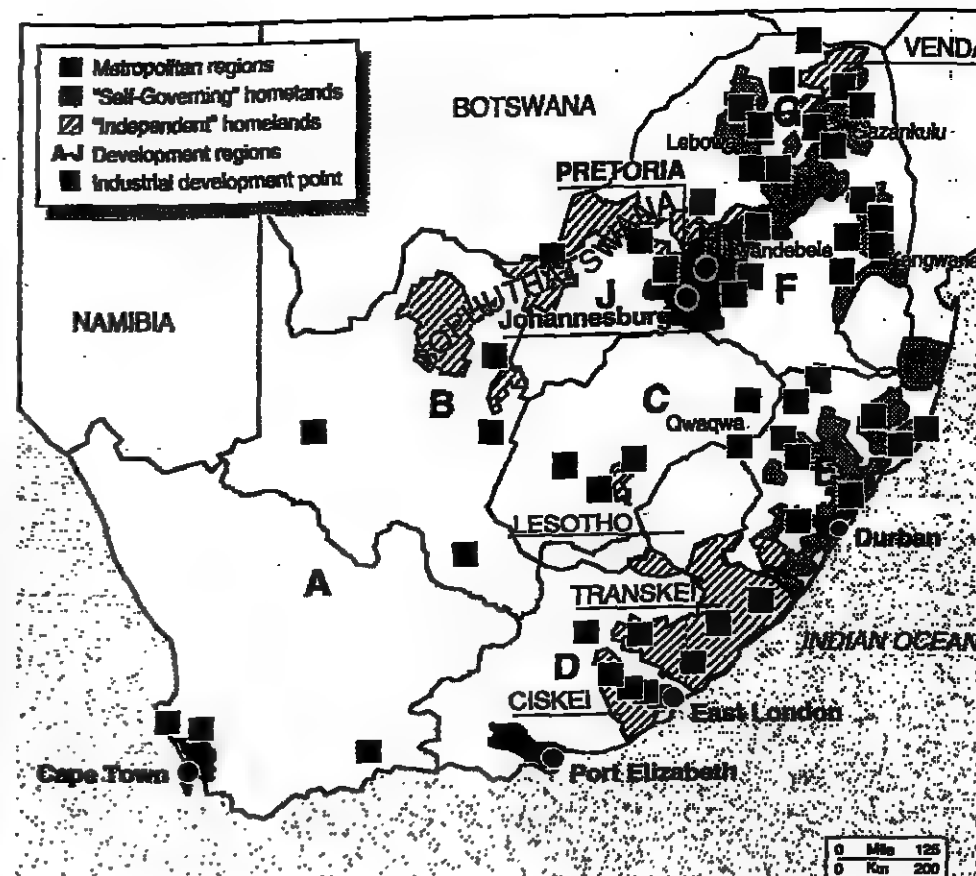
The Urban Foundation, in a separate report, concluded that it cost three to four times as much to create one job under the programme as in the cities. Last year, government reacted to these criticisms by scaling down the programme, and introducing much more modest market-related incentives. But the cost of the failed policy will remain a drain on

the budget for years to come. R76m is budgeted this year for continuing payments under the old scheme (which will decline over time but remain high for years to come); and the new scheme is budgeted to cost up to R500m a year.

The risk is that the ANC, if it controlled the government, might also be tempted to adopt an interventionist industrial strategy which could prove equally unsuccessful. For the Urban Foundation's conclusion is that the industrial decentralisation scheme did not fail simply because of its dubious political motivation, but because such a strategy is fundamentally flawed.

"The international evidence suggests that the best policies for dealing with such problems are to re-organise the way in which the cities are run rather than attempt to stop their growth," the Foundation suggests. It advocates a regional policy based on exploiting the comparative advantages of regions in all economic sectors - not just industry, but tourism, agriculture and especially services - coupled with direct targeting of assistance to the poor.

So while negotiations will eventually solve the political problem of the homelands - most will be re-incorporated, though Bophuthatswana may seek autonomy in a federal South Africa - the problem of regional disparities in develop-



ment will not go away. If regional boundaries were redrawn according to the ANC's plans, the new Border region, taking in the homelands of Transkei and Ciskei, would

still have 10.6 per cent of the population but generate only 1.9 per cent of GDP, and the Northern Transvaal region, with 11.5 per cent of the population, would contribute only 3

per cent of GDP. Any new government must somehow improve the appalling living standards in these areas, or risk a mass population influx to the cities.

"WE ALL, whites and blacks, think we're entitled to Swedish social security, but with Pollish GDP. It won't work like that," says Mr John Kane-Berman, director of the South African Institute of Race Relations, highlighting the most daunting problem of the post-apartheid era: how to meet the enormous economic expectations raised by the prospect of black rule.

For any new government will immediately face one grim truth: that South Africa simply does not have the resources to raise black living standards overnight to white levels, and there is no explosion of economic growth on the horizon to meet the country's huge development needs.

South Africa's under-educated population lacks the skills needed for economic revolution along Far Eastern lines. And over the next generation, the sheer weight of numbers will depress efforts at economic upliftment: by 2010, South Africa's 1990 population of 29.1m will have nearly doubled to 59.7m, according to the Urban Foundation, a business-funded policy institute.

It is far from clear that the post-apartheid economy will be up to the task of housing, educating and employing nearly 60m people. Black South Africans may well find that life remains a struggle.

The first post-apartheid government will inherit a country where, in the words of the authoritative Second Carnegie Inquiry into Poverty and

Tough social problems loom

## Daunting burden of development

Development in Southern Africa, published in 1989, "poverty is deep and widespread and... the degree of inequality is as great as in any other country in the world." For a nation so advanced - the World Bank classifies it as an upper middle-income developing country - the extent of poverty is striking.

The charity Operation Hunger feeds 1.8m people daily, victims of the three-year recession and this year's catastrophic drought. In 1989, 40 per cent of the population (excluding the nominally independent homelands where poverty is rife) is estimated to have lived below the so-called "minimum living level" or poverty line. A recent IMF report notes that in terms of social indicators such as life expectancy and infant mortality "black South Africa has done at best only moderately better than its neighbours despite its proximity to Africa's most dynamic economy".

The gap between white and black incomes further emphasises black deprivation: according to the Development Bank of Southern Africa, though black incomes have risen more than white incomes in recent years, the white share of total personal income was 54 per cent in 1988 (whites are 13 per

cent of the population) while blacks representing nearly 80 per cent of the population had a 36 per cent share. Apartheid has ensured that state spending on social services is similarly skewed. According to the IMF, government spent R4,097 per capita educating whites in 1990, and only R907 on blacks, R2,406 for coloureds and R3,055 for Asians. Pensions, which are a principal source of income for the poorest South Africans, are also unequal: whites get a R345 monthly payment, blacks R268. Health spending is also distorted. And while whites are all at least decently housed - South African cities boast some of the world's most luxurious suburbs on earth - over more than 7m non-whites live in informal urban dwellings such as shacks.

Racial disparities in social spending have narrowed substantially in recent years, and the government has devoted an extra R20m of extra-budgetary funds for special education and housing projects. But the cost of introducing per capita parity between races would be extremely high. The IMF report states: "Equalising spending levels at the present white level would result in an overall level of social spending dramatically beyond the capacity of the budget."

## SELECTED SOCIAL INDICATORS

Year	White	Coloured	Asian	Black
Life expectancy at birth (in years)				
1970	65.5	58.0	62.5	
1979	69.9	61.5	64.6	
1989	69.5	58.6	65.5	58.5
Literacy (rate of adult literacy)				
1970	98.0	89.0	74.0	
1979	99.3	84.5	82.4	
1989	99.3	84.5	82.4	57.0
Infant mortality (deaths per 1,000 live births)				
1969	32.7	134.5	85.5	165.0
1980	20.8	128.8	89.6	95.0
1970	21.6	133.5	86.4	95.0
1980	13.1	90.7	24.4	70.0
1988	13.2	57.5	17.4	57.4

1989 figures are interpolated at age 12 months. Source: Eshart (1989), South Africa Department of Information, Official Yearbook of the Republic of South Africa; Department of National Health and Population, 1990 Health Trends in South Africa.

## EDUCATION INDICATORS IN 1990

	White	Black	Coloured	Asian
Pupils (m)	1.0	7.7	0.9	0.3
Pupil/teacher	18.6	40.8	25.3	21.7
Expenditure/pupil (R)	4,097	907	2,406	3,055

1 Including public ordinary schools, secondary schools and technical training colleges. Source: South Africa Department of National Education, IMF and estimates.

It notes that overall spending on education and health (though not on pensions) is already high in relation to GDP. Indeed, education spending, as a share of the budget and of GDP, substantially exceeded not only that of middle-income countries, but also industrial nations.

Abolishing the senseless duplications of apartheid would generate some savings: the new South Africa will not need 15 racially-based departments of finance, 15 education departments and 14 health ministries, complete with Mercedes-driving ministers in each one. But the cost of reincorporation is likely to exceed any savings: to raise per capita socio-economic spending on homeland blacks to the level which prevails in the Republic would mean a 38 per cent overall increase. And given that independence governments elsewhere in Africa have

tended to increase bureaucracy rather than reduce it, there seems little chance that bloated homeland civil services or central government will be streamlined.

The IMF report concludes: "The scope for further compressing non-social spending (eg defence)... is limited and therefore implies that social expenditures will need to be re-ordered if the budget is to attend to the needs of the least privileged groups of society without significant resort to deficit financing or to higher taxes." What this means in practice, according to minister of (black) education and training, Sam de Beer, is that if South Africa continues to spend 6 per cent of GDP on education (assuming 3 per cent overall economic growth and a 1:33 pupil/teacher ratio), government will be able to finance only seven years of compulsory education by 2000.

The inevitable conclusion is the one drawn by the late Mr Simon Brand, formerly Development Bank chairman: "We don't have the resources for the kind of welfare state we have been running for whites."

Substantially increasing taxes to fund greater social spending on blacks would be counter-productive, the IMF argues. "The tax burden on the white community appears to be relatively high even by industrial country standards. This would argue against raising tax rates in South Africa and running the risk of heightening disincentive effects."

The IMF concludes: "Redistribution policies will need to be firmly supported by growth-orientated policies if the social spending gap is to be effectively bridged."

For without economic growth, very little progress can be made toward a more economically just society. Yet sustaining growth at the 3.5 per cent required for what the IMF calls a "meaningful increase in living standards" - during a period of great political and social turmoil - could well prove a tall order. Economic Policies for a New South Africa, IMF, January 1992.

Patti Waldmeir

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## SOUTH AFRICA 9

Agriculture has been hit by possibly the worst drought this century

## Crisis year for farmers

ASKED whether he thought he would survive the political transition process, Mr Kraai van Niekerk, the minister of agriculture, answered: "No. Agriculture is the most dispensable portfolio. In any event, he added, he would take the first opportunity to return to his farm in the northern Cape."

The first comment displays political acumen. The second, many would say, is almost perverse. Following a decade of inclement conditions and deteriorating finances, the agricultural sector has now been hit by possibly the worst drought this century. Many farmers, given the choice, would happily swap the national benefits of their lifestyle for the security of city life. Certainly, there is no stress on the land. Last year the Land Bank, the parastatal lending organisation, repossessed 326 farms, and could only resell 70 of them.

To minimise the economic and social impact of the drought, the government last month announced a R3.8bn rescue package, billed as the "most significant rescue bid in the history of South African agriculture". There was little

alternative but to act in this way. Although comprising only 4.1 per cent of gross domestic product (GDP), the commercial agriculture sector provides employment for about 1.2m farm workers, or 13 per cent of the economically-active labour force, who in turn support about 5m dependants.

Given that South Africa already faces severe unemployment, and urbanisation on a scale which it is manifestly failing to handle, the arguments for trying to alleviate the crisis in the agricultural sector are clearly powerful. While the measures taken — effectively a one-off subsidy of R375 per hectare for all crop farmers operating in the 33 disaster drought areas — will go a long way towards minimising the social impact of the drought, the macro-economic implications are inescapable.

The South African Agricultural Union says provisional crop estimates indicate that only 22.9 per cent of the normal volume of agricultural production will be achieved in the summer rainfall areas. This varies from 45 per cent in the eastern region to 19 per cent, 15 per cent and 10 per cent in the northern, central and west-

ern parts respectively. Whereas in January economists were predicting real GDP growth of 2.5 per cent, the likelihood is that South Africa will have its third successive year of negative growth.

The impact on the balance of payments will also be significant. Traditionally South Africa is a net exporter of agricultural products to the tune of between R1.1bn and R3.7bn a year during the period 1985-90. This year, though, the country will have to import more than 5m tonnes of maize and probably 1m tonnes of wheat. The import bill for maize alone is likely to be R3bn.

The explanation for the agricultural sector's difficulties goes deeper than sheer malvolence on the part of the gods. Indeed, Mr Van Niekerk has been brave enough to admit that "mistakes" by government contributed to the present malaise. The background is that during the mid-1980s, when

## ESTIMATED CROP SIZES COMPARED TO LOCAL DEMAND

Crop	Local demand (000 tonnes)	Total production 1990/91 (000 tonnes)	Estimated production 1991/92 (000 tonnes)	% change
Maize: white	3,600	3,610	907	-75.2
yellow	3,200	4,016	1,195	-70.2
Grain sorghum	240	240	94	-60.8
Sunflower seed	590	590	117	-80.1
Groundnuts	85	78	85	+9.0
Soybeans	125	125	73	-42.1
Dry beans	100	100	31	-69.0

Source: South African Agricultural Union

there was a succession of poor crops, the state provided a guarantee to farmer co-operatives to enable them to provide credit to farmers who would otherwise have found it difficult to continue. A total of R2.4bn was involved in this guarantee. Therefore, had the state simply walked away from farmers in the present drought, they were already committed to the tune of R2.4bn.

The R3.8bn scheme, spread

over four years, effectively allows the state to buy out of its guarantee scheme. The state's assistance to the farmers has not been without controversy. Some argue why only agriculture? Why not, for example, ailing marginal gold mines? Others argue that, within the agricultural context, the state is preventing marginal farmers from being weeded out while hampering better farmers through con-

trols and restrictions.

Mr Van Niekerk has a two-fold answer for his critics. First priority, he says, is to ensure food self-sufficiency. "The government's aim is to supply good quality food at a reasonable price. But in the end the availability of food can only be ensured by the profitability of production for the farmer and not the consumer price, because if there's no food available, then the price is irrelevant."

The second part of his reply is that the drought relief scheme, by removing state guarantees, "guides agriculture back to free market principles with regard to dealing with agricultural debt". Although the trend in recent years has been towards making farmers' decisions more market-driven, the government has clearly adopted a very timid approach to reform in this area. Asked to what extent government has sought to actually encourage

this process, Mr Van Niekerk replies: "If government is too prescriptive you run the risk of failure. It comes back to you. The farmers must decide. I'm not willing to decide."

There have, however, been some minor successes with the privatisation of meat inspection, seed inspection, quality inspection of export agricultural products, the deregulation of dairy regulations, the freer movement of meat and the abolition of wine quotas.

Mr Van Niekerk accepts that the marketing boards, which still wield considerable regulatory and price-setting powers in South African agriculture, especially in the key areas of maize, wheat, milk and meat, should alter their functions. He is critical of the fact that they not only formulate policy, but act as agent, too. He believes they should change function and become purely advisory bodies, with the actual marketing being left to the farmers, collectively or individually as they see fit. A successful precedent along these lines already exists in the deciduous fruit industry.

Deciduous fruit, together with citrus, is one of the few bright spots on the agricultural

scene at the moment. One reason for this is that being situated in the winter rainfall areas of the western Cape and eastern Transvaal, these industries have escaped the drought. They also export large portions of their crop and have profited considerably from the end of the sanctions era.

Although the drought has dominated the policy agenda for the past six months, agriculture has not been left behind in the dash for the new South Africa. Moves are under way to rationalise the existing 14 agriculture departments into one, and increasing attention is being given to the question of how to assist black subsistence farmers to progress to the point where they become viable commercial farmers.

If the government really wanted to be useful, though, it would address the question of profitability. Real farming profits fell at an average 5.5 per cent per annum over the period 1980-1991. Unless that trend can be arrested, one must assume that future generations will prefer to import their food and play golf on the land instead.

Philip Gawth

Philip Gawth experiences the call of the wild in a tourist's paradise

## Out of the cold into the sun

I do not believe there are many more impressive sights than a city man's first glimpse of a lion, maned lion, loose on a plain in a strange country.

Robert Ruark

FOLLOWING a recent visit to Sani Sabi, one of the luxury game lodges in the Eastern Transvaal, I can unequivocally endorse the comments of the famous American hunter and novelist. The spectacle of two lions roaring at each other, literally yards away from our open Jeep, was one of such primal power and immediacy as to defy adequate description.

Likewise, the sight of a leopard cleaning her two cubs in a sandy river bed and, later, the massive, tank-like menace of the white rhino. But it is not only the big animals which constitute the appeal of the bush. The sights, sounds and smells are so distinctive, and the locations so remote, as to allow for the sort of relaxation not easily found elsewhere.

Robert Ruark would not have been familiar with the modern phrase "eco-tourism", but those who now make heavy play of the "eco" prefix are essentially making a similar appeal about the call of the wild in an age when the quality of city life is widely perceived as deteriorating. Already 80 per cent of visitors to South Africa come to see its farms and flora.

Mr Clem Sunter, South Africa's leading scenario guru, has predicted that conservation is the area where the smart money is heading and he is enthusiastically supported by people such as Mr Dave Varty who is associated with the Londolozi and Phinda eco-tourism developments. Mr

Varty comments: "We see eco-tourism as being the next major growth industry in South Africa." The reasoning is simple: wildlife is a finite resource, for which there is an increasing tourism demand.

It is also an area, of course, in which South Africa has a competitive advantage. Only a handful of other countries in Africa can offer a similar product, and South Africans believe they offer a more sophisticated wildlife product than East Africa and a better balanced destination overall. In support of his claim, Mr Varty cites the high occupancy rates achieved by places such as Sani Sabi, Londolozi and Mala Mala through the sanctions period.

Although eco-tourism is seen as probably South Africa's main marketing feature, enthusiasm in the tourism industry is more widely based. Mr Pieter van Hoven, chairman of the South African Tourism Board (Satour), notes: "We've come out of the cold era into the sun. For many years we had to deal with South Africa's moral unacceptability as a tourism destination. Now all this has changed. Effectively the country can market itself on equal terms with other competing destinations."

South Africa markets itself, not unreasonably, as "a world in one country". From game parks in the east, to the Drakensberg mountains in Natal and fine beaches along the coast, there is a lot of variety

to offer the tourist. Aside from intrinsic merits, however, Mr van Hoven believes the tourism industry has a good future merely in catch-up terms. He notes that the industry at present only constitutes about 0.7 per cent of gross domestic product, compared to a world average of about 10 per cent.

In 1990, South Africa attracted about 1m visitors, making it the fourth most popular destination in Africa behind Tunisia, Morocco and Algeria, all short-haul destinations. Mr Org Marais, minister of tourism, talks in terms of South Africa attracting 3m foreign visitors by 2000.

Mr Van Hoven says any post-apartheid benefit in 1991 was obscured by the detrimental



Roaring trade: the lions and lioness attract 80 per cent of visitors

impact of the Gulf War. He says, however, that for the first quarter of 1992 quite a few European markets showed growth of 45-47 per cent compared to 1990 and he forecasts overall growth of 30 per cent in

foreign visitors for 1992.

The government has recently shown a new-found enthusiasm for the economic potential of tourism. A White Paper in May outlined a policy for assisting the industry, includ-

ing financial assistance for new tourist accommodation projects and a commitment to deregulate the industry to assist the private sector.

A recent liberalisation of international aviation policy should also make South Africa a considerably cheaper destination to fly to. Last year saw 16 international airlines start new scheduled flights to South Africa.

There is not yet much indication of additional investment from the private sector, because there is considerable spare capacity following a few lean years in the hotel industry. That said, industry consensus is that up to five foreign hotel groups are likely soon to announce investments.

In a category of its own is the R730m Lost City project being developed at Sun City by Mr Sol Kerzner. For the faint-hearted, worrying about whether the country has a future, there could be no greater gesture of faith.

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## SOUTH AFRICA 10

What are the most important themes in South Africa today?

Nelson Mandela: The most important development in the country is the Convention for a Democratic South Africa (Codesa)... Problems have arisen serious enough to destabilise negotiations. There is the question of the violence which has been raging since 1984 in the course of which more than 13,000 innocent people have been killed. We have believed throughout that the government had the capacity to put an end to the violence... but our view has been that for one reason or other the government is reluctant to use its capacity.

That was disturbing enough but it is the involvement of Mr [FW] de Klerk, the head of government, that has disturbed us most... The total pattern (of the violence) is trying to destabilise the ANC... and it seems clear to us that the idea is to prevent a democratic government dominated by the ANC.

No doubt De Klerk does want fundamental democratic change, but what he does not want is to have a democratic government dominated by the ANC. In spite of the fact that he wants democratic changes, nevertheless he is clinging to the levers of power... which they have enjoyed for the last 44 years. These two issues threaten the whole negotiating process.

But we are determined that this process should succeed and that is why we are demanding the immediate installation of an interim government which will be representative of all national groups. One of the aims of the interim government would have to be to take over security and it is only then that we hope it will be possible for us to restrain the violence which perpetrate this violence.

What is your concept of power-sharing after the interim period?

NM: We have come out with a very clear policy... we call for one person one vote. We call for a bill of rights... we call for an independent judiciary which will entrench the powers set out in the bill of rights. Even when a democratic government is installed, no minority group should be disadvantaged because the constitution is going to be drawn up by a body which has been established through free and fair elections. We go further to say that the amendment of the constitution should be done by



Nelson Mandela: "No minority group should be disadvantaged"

## 'De Klerk is clinging to levers of power'

Mr Nelson Mandela, president of the African National Congress (ANC), speaks of his concerns and outlines his vision of a new South Africa in an extensive interview with Richard Lambert, Michael Holman, Patti Waldmeir and Philip Gawith

a two-thirds majority. We also go further to say that the new parliament should be built on the principle of proportional representation so that every political party which gets above a certain percentage of votes will be represented... I think we have done everything which would be expected in a democratic country.

What we are not prepared to do is to give power to a minority of less than 15 per cent of the population, as the whites are, give them the right to veto the decisions of a majority taken lawfully in parliament. No country has ever done that and that is what De Klerk wants. That he cannot get. That we cannot accept. But we

are very concerned that if the first government should really receive the support of the population not only by virtue of the fact that the majority will have voted for it, but that it should be seen to represent everybody, we should inspire confidence among all the national groups in the country... assuming the ANC gets an overall majority in the forthcoming election, it would be proper to build this national confidence to offer parties which have lost, a seat in parliament.

Would you extend the question of proportional representation beyond the national assembly to the executive?

NM: No... [but] of course we

are going to make sure that the executive is representative of the national groups in the country. When we say that we want a government of national unity, we mean it. National unity can only mean that the institutions of government... should be representative of all groups. But that will be a decision which will be taken [by the government] not as a result of the constitution.

What will you do about the civil service?

NM: The details of what will be done by a democratic government [will] depend on the conditions that exist at the time. It suffices to say that we do not intend to throw people into the streets simply because a democratic government has been installed. What we are determined to do is to democratise the civil service to ensure that it is representative of all groups. This will be done in a humane manner.

We will also look at the fact that the civil service is too big and the country cannot carry such a service. These questions will be examined very carefully but in such a way as not to create any dislocation, any turmoil. What is important is not only to attain victory for democracy, it is to retain democracy, and that is not going to be very easy. We have to be absolutely careful as to how and in what manner we will bring about changes in the civil service.

Should there be a clause in the constitution on affirmative action?

NM: We are suggesting only that we are concerned to put in the constitution that the economy of the country must be developed in such a way as to promote the welfare of all population groups and leave the details to be worked out as we tackle specific problems.

Negotiations seem to be proceeding very slowly...

NM: If one takes into account the background of our country the fact that over two years we have made such progress is to me in itself a miracle... what we are not prepared for is to have experiments on democracy... in this country the simple fact has been and still is today that a party which polls the most votes is called upon to run the country. There is no reason why it should change simply because Africans or blacks are on the verge of having an effective say in any future government.

Sports-mad South Africa has been welcomed back into the fold

## Something to cheer about

THE emergence of South African sport from years of isolation is replete with irony, not least that the sport which led the way was cricket. After all, if the start of South Africa's sporting isolation can be put down to a single event, it was the announcement in 1968, by the then South African prime minister, Mr B J Vorster, that the England cricket team was not welcome in South Africa with the coloured cricketer Basil D'Oliveira (ironically, a South African exile).

Cricket was also responsible for the nadir of the isolation era - the infamous Gillingham tour in 1968 which caused widespread civil unrest. Again, ironically, it was this tour which galvanised cricket administrators into grappling with the impact of apartheid in sport, with such success that few could begrudge them their right to be the first sport re-admitted to international competition.

The past year has seen events move at a dizzy pace. South Africa has been re-admitted to the international Olympic movement, and will participate in the Barcelona Olympics, and the national cricket team has been to India, the West Indies and the World Cup in Australia. Later this year, Australia and New Zealand will play rugby internationals in South Africa.

Last time South Africa played rugby against New Zealand was in 1981 at Eden Park in Auckland, a completely surreal affair highlighted by an anti-apartheid demonstrator repeatedly buzzing the ground in a light aircraft while flouting the players.

From Eden Park in 1981 to Bridgetown, Barbados, in 1992, where South Africa played its first test against the West Indies, is a long way. In between was the era characterised by South Africa's isolation and the slogan "No normal sport in an abnormal society".

As punitive measures go, sporting sanctions were enormously effective. South African sportsmen and women were deprived of the athlete's ultimate goal, the right to compete against the world's best. Whether the sanctions has



Running mates: black and white athletes compete together in the new South Africa

hindered the process of political reform must be doubtful. However, they have undeniably been enormously important in pressuring (white) establishment sports administrators into getting their house in order. Men such as Mr Sam Ramsamy, now head of the National Olympic Committee of South Africa (Nocsa), who led the drive for sporting isolation, made the normalisation of sport contingent on a simple equation: international competition depended, first, upon the achievement of unity between different, normally racially-biased, administrative bodies in each sporting code; and, second, the implementation of development programmes within these codes for uplifting the disadvantaged sector.

Although some sports have done better than others, the overall advance towards unity has been rapid. Mr Ramsamy comments: "Progress has been tremendous from the side of the establishment (white) bodies simply because they realise they can't get international competition without it."

After Barcelona, the accent will fall on development. A two-pronged strategy will be pursued, with the development of an elite, who can provide role models, being encouraged, as well as a "sport-for-all" policy which will eventually provide all children with access to sporting facilities.

Now, however, progress on the sporting front is being

hampered by the slow progress of political negotiations. Thus the thorny question of national symbols, such as flags and anthems, remains unresolved. Commentators at the cricket World Cup were encouraged not to refer to the cricketers as the Springboks, and athletes at Barcelona will not perform under the national flag. Should they win a medal they will have to listen to Beethoven's "Ode to Joy".

A further irony of the sports unification process has been the dominance of the ANC and its sporting allies. In spite of white South Africans being completely sports mad, the government has almost entirely abdicated from the sporting arena. The sport portfolio in cabinet is tagged on, almost as an afterthought, to the portfolios of National Education and Environment. Although there would have been no re-admittance to world sport without the reform efforts of President FW de Klerk, all subsequent developments have been the fruits of efforts by non-establishment individuals. On the Olympic front, this was Mr Ramsamy. But the man who emerged as the absolutely crucial figure, particularly as regards cricket and rugby, was Mr Steve Tshwete of the ANC, previously a very senior figure in the armed wing of the ANC, Umkhonto we Sizwe.

Nobody doubts that without Mr Tshwete's support, South

Africa's cricketers would not yet have left these shores. And the picture of a tearful Mr Tshwete hugging the South African captain, Kepler Wessels, after the historic World Cup victory over Australia did more for the ANC's support among whites than any number of political speeches could achieve.

Moments such as that lend truth to the dewy cliché about sport building bridges between peoples. The gap to be traversed, however, remains large. When South Africa came so close to achieving a hugely improbable victory over the West Indies, only to crumble on the last morning, while South Africa went into mourning, the Sowetan, the largest black daily paper, celebrated, however, the "Magnificent West Indies victory".

Still, the time is now much closer when South Africans can watch their sport without worrying about politics. Already, patriotism has enjoyed an unexpected comeback. For many South Africans patriotism has always been a dirty word, full of unhealthy political resonances about being on the side of the oppressor. The World Cup, for the first time, allowed people to feel patriotic without being ashamed. It was a liberating and healthy experience, and it was not only whites who enjoyed it.

Philip Gawith

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## VEHICLE MANUFACTURING TECHNOLOGY

## SECTION IV

Friday June 5 1992

Car manufacturers, in the struggle for advantage or survival, in one of the most harshly competitive activities, are using virtually every technology. This includes the development of materials, applied robotics and new energy applications. John Griffiths reports

## Competition gets fiercer

THE world automotive industry of the 1990s is unique in the demands it places on the processes of industrial design, development and production and the technologies which make them possible.

This uniqueness stems not so much from the technological sophistication of the product - the latest Mercedes 560 is hi-tech but hardly stands comparison with an Airbus - as its combination with the problems and complexities of manufacturing in large volumes.

Car plants this year will produce nearly 40m vehicles. Each vehicle contains, on average, nearly 10,000 individual parts. In addition, the industry will produce more than 6m commercial vehicles. It is the world's largest manufacturing activity, and its most multi-faceted.

As part of the manufacturer's struggle for advantage, or survival, in one of the most harshly competitive activities, the industry submits virtually every technology. This includes the development of materials, applied robotics and new energy applications.

In the past few years, competition has been added to other environmental and legislative pressures. Cars and trucks - and there are expected to be more than 500m on the world's roads by the early 21st century - have become an enormous environmental problem.

In endeavouring to minimise

their environmental impact, the motor industry is exploring a broad array of actions, for example, vehicle weight-saving in order to improve fuel economy and alternative energy sources and recycling.

Many of these will bring, or are bringing, change in the processes and technologies to what has been mainly a steel-based metal-bending industry.

In the area of vehicle bodies, for example, aluminium and plastic composites are challenging traditional steels. Both are much lighter than steel. Neither suffers from steel's propensity to rust.

Audi, Volkswagen's executive car arm, is sufficiently convinced of aluminium's benefits to have committed its next V8 sedan to be built in aluminium using a spaceframe concept in which unstressed aluminium panels are to be attached, possibly through bonding rather than welding.

If such constructions were to be adopted on a wide scale - by no means a foregone conclusion because of aluminium's high cost - there are implications right through the manufacturing supply line, heavily impacting foundries and the demand for traditional dies and stamping and pressing systems.

The advent of plastic composites for body parts, similarly, is drawing in new processes and players. Large chemical groups such as Dow

and Du Pont are anxious not to lose the impetus they have gained from projects such as General Motors' Saturn with its 240,000 cars a year capacity, in which car bodies are made of thermoplastics hung on a steel skeleton.

The past three or four years has seen a spurt in the manufacturing technology for such materials. The industry has learned how to make plastics stampable into body panels and is making rapid strides in reducing the lengthy cycle times needed to make injection-moulded components - one of the material's biggest drawbacks.

Such developments are stimulating those engaged in processing more traditional materials to fight back. Fritz Winter Elsengeier, the German foundries group and one of the world's biggest independent iron castings suppliers, has introduced a process for casting iron. It was developed by Professor Lennart Backerud and it is claimed that it

reduces the weight of a casting by 30 per cent and costs by 10 per cent, with no loss of strength.

Pressures are mounting not only to make vehicles lighter and cleaner but also the manufacturing processes. Nowhere has this been more apparent than in vehicle paint plants which use tens of millions of gallons annually.

The industry is switching to water-based paints rather than the aromatic solvent-based materials which have contributed to atmospheric pollution. The latest generations of car plants endeavour to capture, clean or even recycle their manufacturing emissions.

Opel's Russelsheim plant captures such emissions and turns them into energy for the plant. Volkswagen's symbol of manufacturing cleanliness has become famous: shoals of goldfish swimming in pools of recycled water. Specific manufacturing technology improvements such as these are being introduced within a

much broader scenario of change, brought about mainly by heightened competition from the Japanese.

The Japanese industry can bring a model into production in three years or less, compared with a typical five years or longer for most Western producers. Even the Japanese have begun to conclude that this might be overkill and that four years is a more sensible norm.

However, while reaching this conclusion, the Japanese industry has acted to use the design and engineering abilities it has acquired to broaden its product spread and probe into an increasing number of specialist niches.

The US industry, first in the firing line of Japanese market share ambitions, has been enthusiastic in its adoption of simultaneous engineering techniques to help it fight back.

General Motors, in particular, appears to be reaping significant benefit from a system which has its origins in Japan.

The concept is deceptively simple. All operating elements of the manufacturer are involved simultaneously with a new car from first concept through to the first vehicle coming off the production line.

That might appear to be self-evidently the proper course - but it is not one that has been followed by Western producers. Instead, the typical procedure has been to undergo the sequential process of a team designing a vehicle, then forwarding the concept to the engineering division, where compromises are made to make driveline equipment fit.

Subsequently, the finance division usually puts pressure on for cheaper components to be used in some areas, introducing more compromises. As the finale, the manufacturing division is then likely to point out that the vehicle is too difficult to make, or that additional investment will be needed in adapting production lines.

However, none of it would be possible without the wealth of

computer-driven technology. This has allowed the creation of master databases for all a company's divisions and even outside suppliers to work off simultaneously, together with the computer-aided design, manufacturing and logistics systems which lie at the heart of the industry.

As Europe braces for its own era of much-increased competition with Japanese cars, the simultaneous engineering concept has taken swift root. Indeed, BMW has created perhaps the largest single research engineering centre in the European industry in pursuit of simultaneous engineering principles.

Its Fix centre in Munich, a futuristic maze of towers and multiple connecting walkways, houses nearly 6,000 engineers, none of whom has to walk more than 150 metres to talk to a colleague. It allows a first-concept designer easily to discuss with a production line engineer (the building houses prototype production lines) the

manufacturing practicalities of even an outline design idea.

Such are the Fix's advantages, according to Dr Wolfgang Reitzle, head of research and development at BMW, that it is cutting two years from BMW's development cycles. The design of the building is based on the concept that, if physical distances between two designers or engineers are greater than 150 metres, the easy interchange of ideas or discussion of problems is discouraged.

It represents a recognition by BMW that competitiveness is as much a function of the proper organisation of human resources as of technology.

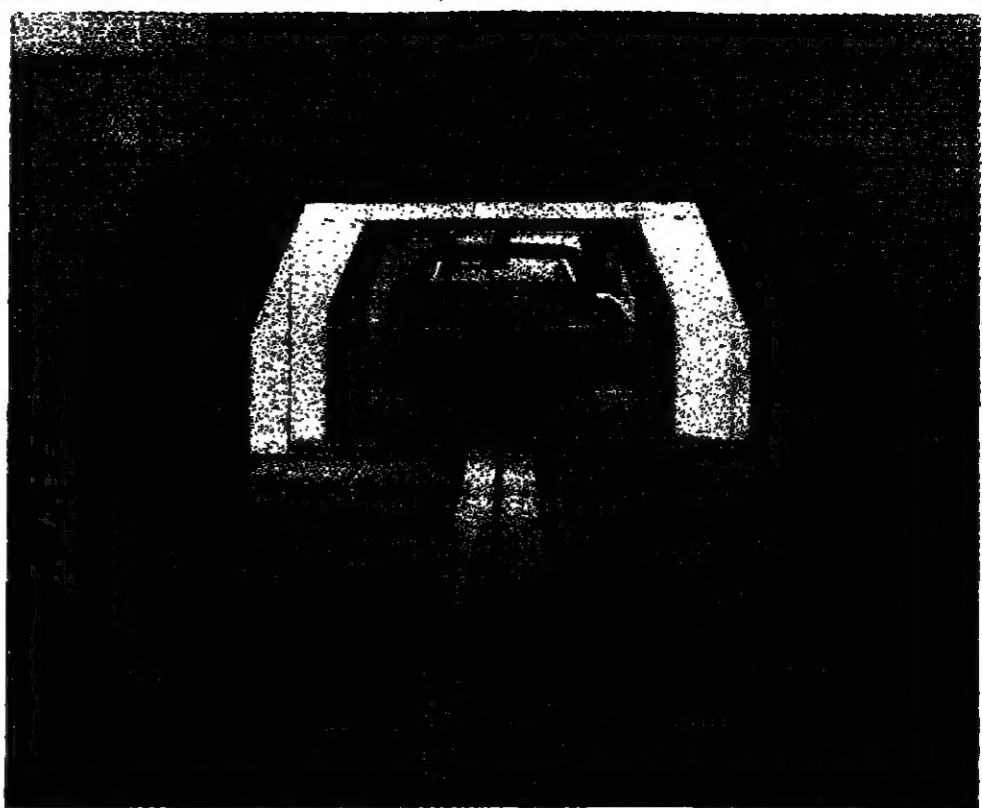
Similar thinking lies at the heart of the lean production concept which, started by Toyota several decades ago, is seen by virtually every large car maker as the only way of securing the long-term future.

Lean production, identified by a five-year study of the world car industry by a Massachusetts Institute of Technology team, involves using teams of multi-skilled workers at all levels of a company's organisation, in concert with highly flexible, increasingly automated machines to produce lower volumes of products in greater variety.

The study concluded that with this process Western producers are hoping to close the production gap with Japan. For example, a US plant takes 25 hours to assemble a car compared with an average of 13 hours in Japan.

It is not clear what is meant by lean production. Only last month Mercedes-Benz, for the first time facing real pressure from Japanese manufacturers, opened a new plant at Rastatt where the claim by Mr Werner Niefer, chief executive, that it was the most advanced car-making facility in the world.

He asserts that production and management at Rastatt are lean and capable of cutting production costs by at least 25 per cent while ensuring quality and the near-abolition of traditional post-build rectification procedures. The lean procedures, he insists, are Mercedes' own and owe nothing to Japan. Rastatt will be watched closely by the industry.



Sharp edge: Plasma cutting with a robot made by Panasonic (left). Spray booths in Rolls-Royce Motor Cars' new paint plant in Crewe (above), the industry is switching to water-based paints rather than the aromatic solvent-based materials which contributed to atmospheric pollution

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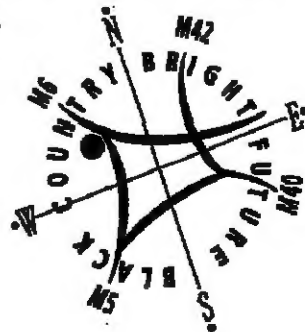
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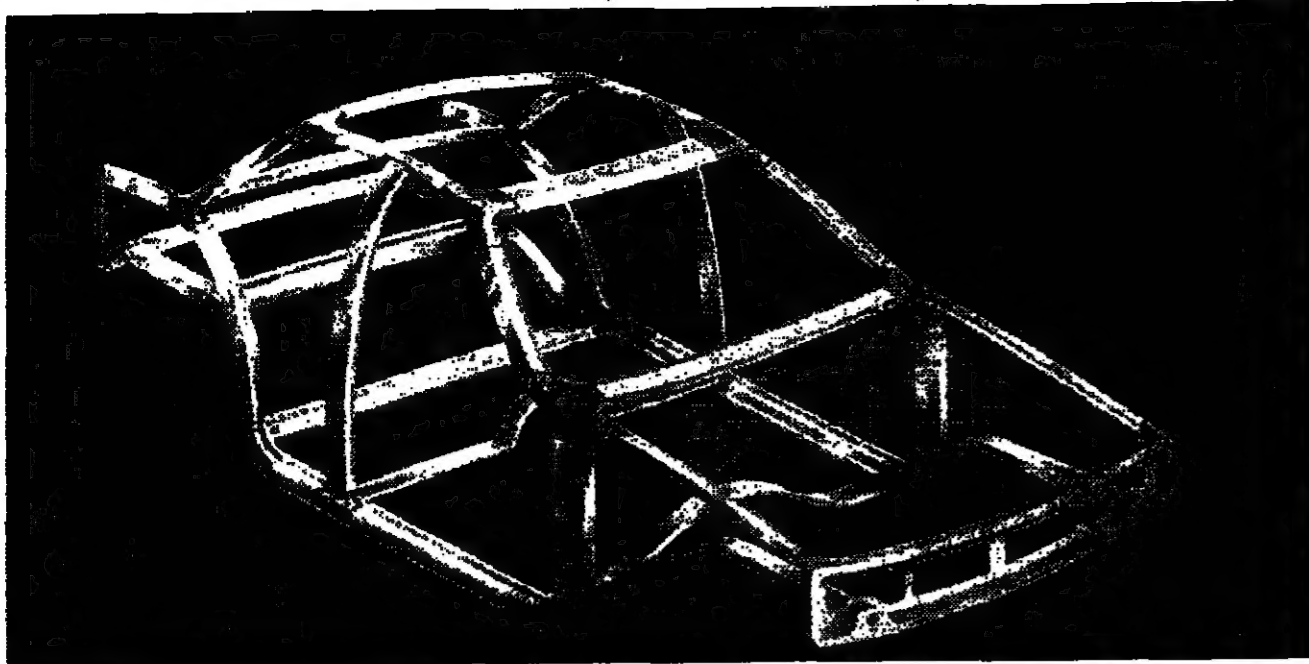
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## VEHICLE MANUFACTURING TECHNOLOGY 2



This generic 'spaceframe' illustrates use of less than 100 aluminium extrusions and interconnecting aluminium die cast nodes

## NEW MATERIALS

## Is aluminium key to future?

FROM next year a pioneering, \$70m plant at Soest, near Düsseldorf in Germany, will start supplying Audi, Volkswagen's prestige cars division, with aluminium extrusions, castings and other components. These will be turned into skeleton-like 'spaceframe' bodies for Audi's next-generation V8 saloon.

From then on, the world's motor industry is likely to start learning in earnest just how serious a rival aluminium is likely to be for traditional steels when it comes to the production of car bodies in anything other than token volumes. Until now, aluminium has been used as the integral body structure, almost exclusively for low volume and mainly expensive specialist cars or racing cars, typified by Aston Martin or Honda's NSX. Alternatively, it has been used as body cladding, in the form of unstressed panels, on vehicles like the Land Rover.

The Soest plant, however, will have the capacity to produce spaceframe components for up to 100,000 cars a year, with Audi as its first customer. It is described by Mr Paul O'Neill, chairman of Aluminium Company of America which is building it, as "the single most significant programme Alcoa has ever developed for, and with, the auto industry".

Alcoa has spent ten years of joint research with Audi to develop the systems and processes for what amounts to a new approach in vehicle body production, and one expected to require, if not new forms of

assembly plant systems and techniques, then potentially considerably altered ones.

That Audi is able to contemplate such a programme at all is due to the development, over the past decade, of new aluminium alloys, vacuum pressure casting and extruding processes and robotic welding techniques. How well they work in practice will determine whether Audi is right in its professed belief that, with environmental concerns mounting, aluminium-bodied cars are the way of the future, because of their light weight - and thus reduced consumption of fuel - and the ability of aluminium to be totally recycled.

According to Audi design chiefs, the spaceframe body of the next V8 saloon is likely to be up to 40 per cent lighter than its predecessor's steel body. Alcoa's AIV (aluminium intensive vehicle) system has at its core the production of a frame of extruded members making up the 'bones' of the spaceframe, joined at nodes to aluminium castings and reinforced by structural panels of aluminium, such as bulkheads, floor and inner wings.

Indications are that while adapted robotic welders will play their usual role in joining the extrusions and castings, the structural panels will be adhesive-bonded or mechanically fastened, perhaps both, to the spaceframe, diminishing the role of multi-welders.

Other companies have been researching intensively the potential for bonding instead of welding. The UK's Rover Group, formerly BL, and Al-

minium Company of Canada (Alcan), for example, developed jointly a volume manufacturing process for aluminium-bodied cars which, in the mid-1980s, was originally intended to become the next Metro.

The system involved the production of aluminium pressings from rolled sheet and their joining together by a combination of spot welds - but many fewer than on a conventional steel body - and toughened epoxy resin adhesive. As Dr David Kewley, Rover's chief engineer, advanced technology and materials, points out in a study, *Towards the Aluminium Car*, produced by the Aluminium Extruders' Association, "it would have been the next Metro, but it was a hell of a risk to take. We decided we would rather be an excellent second with the technology than a mediocre first".

Rover is unlikely now even to be second, having suspended its work on such structures, as concerns about its privatisation and other preoccupations changed the course of its history. But Alcan's work with Volvo and General Motors, has continued. Indeed, the aluminium industry increasingly is arguing that the fundamental auto industry scene is shifting from one in which the aluminium companies have had actively to promote their potential, to a demand-pull from the car makers themselves. "The auto companies are beating a path to our door", according to Alcan's chairman, Mr David Morton.

With the Alcoa/Audi project, development of the spaceframe members has required the creation of thin-wall die-casting techniques, as well as the development of heat treatable alloys capable of withstanding the stresses involved in a vehicle frame, including crashworthiness.

Many obstacles still stand in the way of an early, wholesale substitution of steel with aluminium in car bodies for the volume market - not least the initial high cost of the material itself. If they are overcome on a large scale, it will not necessarily be good news for that part of the manufacturing industry which traditionally has supplied the dies and other tooling for the several hundred pressings which typically make up the monocoque bodies of current steel cars.

One of the attractions of the Alcoa project for Audi is that only about 100 individual parts are needed to make a spaceframe body, meaning fewer dies and casting and thus sharply reduced tooling costs.

Such developments have prompted a recent study by consultancy group, Brook Hunt Associates, to forecast that the use of aluminium for body parts will grow by more than eight times between 1990 and the end of the decade, to more than 100,000 tonnes a year. When other aluminium components, such as gearbox casings and cylinder heads, are taken into account, it expects more than 1m tonnes a year to be used in cars by 1997-98.

John Griffiths

## Plastics makers' mixed feelings

INCREASING enthusiasm among vehicle makers for aluminium as a solution to their weight-saving and recycling problems was much in evidence at the Society of Automotive Engineers' annual congress in Detroit two months ago. It is a development regarded with mixed feelings, however, by the manufacturers and processors of plastic composites.

Should the enthusiasm extend to cladding with aluminium panels the spaceframes which would form the primary structure of an aluminium car, Dow, DuPont, GE and others among the big plastics producers could be disadvantaged. It is only recently that they have begun making significant inroads into the potentially very high volume market for vehicle body panels.

Less than two years ago, the composites sector was given a big boost with the launch of General Motors' \$40m Saturn project in Tennessee. Saturn saw the adoption, for the first time ever on a 100,000-plus annual volume car, of a body comprising a steel spaceframe hung with recyclable thermoplastic panels. Yet Saturn is only the latest of several vehicles making extensive use of such materials to be developed by GM.

If the Saturn plant and General Motors' leisure van facilities were working to full capacity, the composites industry would currently be supplying the bodies for nearly 500,000 vehicles annually to GM alone, if production of the Corvette sports car was also included. The GM vans, sold under various badges such as Chevrolet Lumina and Pontiac Trans Sport, also use plastic body panels on a steel spaceframe, with capacity available for 200,000 units a year.

The vans' panels, however, are of thermosets, which can only be chopped up or burned after their useful life ends whereas thermoplastics can be melted down and used to make something else. Nevertheless, both types have allowed GM - and in Europe, Renault with its plastic-bodied Espace "people carrier" - to benefit from the lower tooling costs involved in producing moulds rather than the dies for stamping steel. The greater flexibility of body styling which plastics allow, and the ability to mould in one piece a complex body part which otherwise would require the welding together of four or five separate metal pressings.

Their Achilles' heel, however, is the longer cycle time inevitably needed to produce components and recyclability.

John Griffiths

## CASTINGS

## A technology which is still developing

ALTHOUGH cast iron is one of the oldest engineering materials, it still plays a big role in vehicle engine manufacture. The majority of vehicles on the road today use cast iron cylinder blocks, and many of them use the material also for crankshafts. The only alternative material of significance, and the most widely used for cylinder heads as well as for transmission (gearbox and final drive) casings, is cast aluminium alloy.

It follows that casting technology remains a key factor in the production of vehicle drivelines; it may also gain greater importance in other areas.

The two main driving forces in the development of casting technology today are the desire to automate production as far as practicable, and to achieve further improvements in the accuracy and consistency of the castings produced. The greatest attention has been devoted not to the actual materials used for casting, these having already been optimised over many decades (centuries, in the case of cast iron) but to the techniques of the process and the materials used for the core-making.

The basic technique of casting is to form a mould by assembling several "cores" of some suitable material, and then to pour in the molten metal. When the metal has cooled, the cores are removed to leave the rough casting ready for machining and assembly.

The traditional core material is compacted sand, which has the twin virtues of resistance to the high temperatures involved, and of (relatively) easy removal afterwards. Its principal disadvantage is, of course, the inability to form cores of complex shape, or of great dimensional accuracy.

Modern casting methods for complex components are increasingly based on the "lost material" process, which finds its origins in the "lost wax" process long used by dentists

to form dentures, and later adopted by the aircraft gas turbine industry as the most accurate way of forming turbine blades. In this process the core material, whether conventional sand or some more advanced composite of sand and stabiliser, is inserted around an accurate blank reproduction of the component itself. The blank is made from a material which melts or vaporises at molten metal temperatures (polystyrene foam is most widely used) and is expelled from the mould having performed its task of ensuring dimensional accuracy.

Another aspect of casting now closely studied is the means of filling the mould. Simple pouring has been complemented in some cases by vacuum assistance, used for instance by Toyota in the manufacture of large cylinder blocks, or by positive pressure widely employed by the French car manufacturers for the production of aluminium alloy cylinder blocks and heads. Pressure die-casting is an expensive process, calling for massive investment in production machinery, but it produces extremely accurate and "clean" components which need a minimum of fettling and subsequent machining.

Even where such techniques are not used, it has become commonplace to study metal flow into a mould by computer simulation, using a combination of hydrodynamic and thermal transfer calculations, to achieve the quickest filling and the most satisfactory grain flow in the final component.

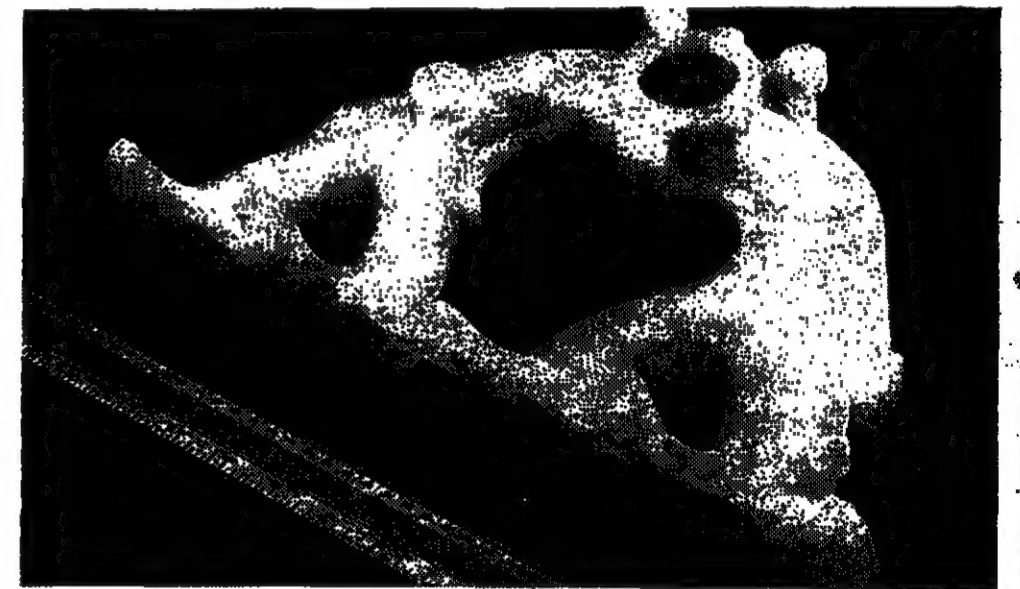
Accuracy of production has become an important factor in all modern casting. The engine designer is under pressure to save weight, and is greatly helped by being able to depend on thin walled castings of sufficient consistency. The smaller the production variation from the intended wall thickness, the thinner the walls can be made, and the lighter the block becomes (with a useful complementary saving in material

and process energy costs). The order of magnitude improvement achieved, mainly in the USA, in the accuracy of iron casting during the 1950s enabled the material to remain competitive when for a time it seemed its position would be almost completely usurped by aluminium alloy.

Modern production techniques marry advanced core technology with accurate core placing, often now carried out by robot, and the "back to back" production of several components at a time, as practiced by PSA's main cylinder block foundry in France. Techniques, and materials are selected on the basis of close financial scrutiny; nobody uses an expensive method where a cheaper one will suffice, and reinforced sand cores still give good results especially where component design has been carefully considered to ease casting problems. The fundamentally simple design of modern cylinder blocks, helped by the removal of the camshaft to the cylinder head, has been a blessing for the foundrymaster.

Aluminium alloy castings may also soon find a place in body engineering, which has hitherto been the preserve of welded sheet steel pressings. Research carried out by Alcoa has resulted in castings which are relatively ductile, and avoid the brittleness which until now has been a characteristic (due to porosity and gas inclusion) of all cast materials. Alcoa now suggests that car body "skeletons" could be built up from precision extruded beams slotted into cast "junction boxes", with substantial weight savings. The company has already established a German factory to manufacture sub-assemblies on this basis, its first customer being Audi. If the venture succeeds and the technique becomes widespread, casting could become an even more significant technology for the motor industry of the future.

Jeff Daniels



A model of a Rover prototype manifold: modern casting methods cope with complex components

## Andrew Baxter looks at computer-aided design

## Expanding into new areas

THE automotive industry was one of the pioneer customers for computer-aided design and manufacturing equipment, and remains an important testbed for new products and applications.

Vehicle producers recognised the benefits to be gained from designing on screen, long before phrases such as "simultaneous" or "concurrent engineering" came over Detroit's horizon. Large companies are into their fourth or fifth generation of equipment.

The same holds true for their suppliers, particularly in the automotive design sector. Abbey Panels, the Coventry-based producer of full-size vehicle body models and prototypes, realised in 1978 that it needed the best Cadcam available to survive as a leader in vehicle modelling.

Companies such as Abbey, which uses the Euclid-IS 3D solid modelling system produced by Matra Datavision, have taken advantage of the growing sophistication of Cadcam software. Solid and surface modelling has become a vital element in the success of simultaneous engineering, although by no means a guarantee of the idea's main aims - reduced product development times and improved quality.

For the big vehicle manufacturers, Cadcam installations are in almost constant flux. Rover Group, for example, is spending £17m over three years on upgrading its Computer-aided Design facility to support its concurrent engineering strategies while enhancing product quality. The UK motor group has been using Computervision equipment since 1983.

Cadcam with solid modelling is expanding into areas of hitherto unparalleled design complexity. Lucas Commercial Diesel Systems is using a Computervision CADDS 4X system to model complex castings for products such as its EPRC electronic fuel injection system for high-speed diesels.

Solid modelling enables Lucas quickly to develop the correct numerically-controlled (NC) toolpath for manufacturing the product, reducing time-to-market and increasing quality levels.

The motor industry's voracious appetite for products and software to keep the design process competitive is providing business for many of the smaller players in the computer systems business.

Wisdom Systems, based in the US, has a technology called knowledge-based engineering (KBE). It automates the simultaneous engineering strategy, and builds a knowledge-based model incorporating not only the geometric variations of the product but also all relevant manufacturing, costing, production planning and marketing constraints.

The system has been tried at PSA, the holding company of Citroën and Peugeot. It has produced an optimised design for a mechanical assembly at increased speeds.

Another knowledge-based

system used in the motor industry is Solstar, developed by Foseco (FS) of the UK to predict the shrinkage that occurs when metals and alloys solidify during casting. The system can deal with complex shapes such as manifolds and cylinder blocks.

Specialist design simulation companies such as Analogy are benefiting from the motor industry's need to check how mechanical and electronic system designs work at an early stage in the development process.

Analogy's Saber Automotive Simulation Package, recently improved, can reduce lead-times by analysing the operation of designs before prototyping, thus reducing the number of design cycles needed.

Another important trend is for motor manufacturers to use 3D solid modelling for designing tools as well as vehicles. Volkswagen was one of the earliest to recognise the potential of Cadcam in this area, having begun seven years ago to develop AWK, a 3D, solids-based system based on Euclid-IS.

The system automates many of the repetitive tasks for tool design, eliminating much of the tedium from making changes.

However, the most significant indirect benefit of 3D modelling in the next few years is likely to be its role in the nascent market for rapid prototyping equipment.

There are at least a dozen rapid prototyping systems under development or being

sold throughout the world, although some are in an early phase. But they share one characteristic - a 3D Cad file of a part is converted into thousands of slices and then reassembled as a real object.

The reassembling process varies widely, but the most commercially-developed system is produced by California-based 3D Systems, which uses an ultraviolet laser to trace the shape of a slice on to a resin stored in a vat. As the beam completes each layer, the part is lowered a few thousandths of an inch and the process repeated.

Apart from its own British Aerospace, Rover is believed to be the only industrial company in the UK to have the system. It commissioned 3D Systems' largest model last summer.

The savings in time from the process - known as stereolithography - have been good. A complex prototype such as an inlet manifold would conventionally have been made by soft-tooling for aluminium, taken some 16 weeks and cost about £22,000 for the tooling.

With stereolithography, a manifold could be run on a testbed engine three weeks after the Cad data was supplied, at a cost of £1,200.

Two other rapid prototyping technologies are available in the UK, laminated object manufacturing from Helix of the US, and the Solider instant slice curing process from the Israeli/US company Cubital. The latter has been used to produce a complex inlet manifold for Rover.



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## VEHICLE MANUFACTURING TECHNOLOGY 3

## □ ROBOTS

# Machines are now used for tasks beyond spot welding

ROBOTS have become an established part of the vehicle manufacturing scene over the past 15 years. The motor industry accounts for as much as 40 per cent of the 450,000 installed industrial robots worldwide but their use is changing and applications are expanding.

The traditional picture of long lines of robots each making billions of spot welds on car bodies in a working life of eight to 10 years is still true, but only half the story. Those same welding robots are as likely to be grouped in flexible manufacturing cells and capable of handling a wide range of models in quick succession.

At the same time, smaller robots are increasingly being used in engine assembly, where their ability to do quality, repetitive work with a precision of 1/100th of a millimetre is much in demand. Robots are being used in final assembly work and paint spraying, and suppliers hope to be able to develop these markets now that the technology has been proven.

There is an emerging trend for robots to be used in automotive sub-contracting, prompted by the vehicle manufacturers' need to be confident in the consistency and quality of out-sourced components as for their own work.

The shorter lives of car models, prompted by increased competition in the industry and the Japanese producers' early efforts to reduce product development times, are changing the use and design of robots.

The traditional practice of replacing a robot after two model cycles may have been appropriate when each car model was lasting six to eight years. But with model lives reduced to three to four years, users want to keep their robots for further models, and thus want increased flexibility, according to Dr Axel Gerhardt, a senior board member at the holding company for Kuka, Germany's largest robot supplier.

Many of the latest trends in the use of robotics originated

in Japan where labour shortages have spurred much greater penetration of robots into industry overall compared with Europe and the US. But robot suppliers such as ABB Robotics, the largest in Europe, believe the European automotive industry is as enthusiastic a user of robotic automation as its Japanese counterpart.

However, some of the more recent applications of robots are less prevalent in Europe, giving an opportunity to suppliers if they can convince producers of the economic benefits. There are national variations too: the UK is a long way behind the US and the rest of Europe in the use of robots in the paint shop, says Mr Mike Wilson, UK sales and marketing director at GMFanuc Robotics.

The versatility of modern industrial robots for tasks that go beyond spot welding is illustrated by Kuka's involvement in final assembly of the Citroën XM. Following painting, robots dismount the doors and tailgate, with the aid of sensors, for completion on separate trim lines; the cockpit is picked up by robot from an automatic guided vehicle, inserted through the door and then bolted to the body by a second robot.

Robots are used for applying the adhesive sealants and for fitting the glass exactly into the body aperture with the aid of ultrasonic scanners; seats are inserted by robot after measuring the exact position of the body by means of tactile sensors, wheels are mounted and doors and tailgate refitted.

Some of these tasks are difficult for robots because of the nature of final assembly. Robots are having to operate in a less structured environment, says Mr Wilson, and deal with less defined objects such as seats.

Another problem, at least outside Japan, is that labour is available and costs less than in skilled manufacturing areas. So robot suppliers have to find applications that create added value, says Mr Stello Demark, head of ABB Robotics.

There are still opportunities for greater use of robots further up the production line. Relatively new processes such as laser-cutting and water-jet cutting are likely to become more prevalent, in association with robots, especially for working with plastics and new advanced composites.

Mr Demark sees a substantial increase in automated arc welding in the automotive industry and sub-suppliers. And Comau, the Italian robotics and systems group, expects some interesting investments in the body area, prompted by the increased need for new models, according to Mr Massimo Mattucci, vice-president for engineering and marketing.

In paint spraying, says Mr Demark, robots have hardly scratched the surface. Last year, ABB strengthened its position in the robotic painting market with the acquisition of Graco in the US, but GMFanuc, a US/Japanese concern, and Behr of Germany

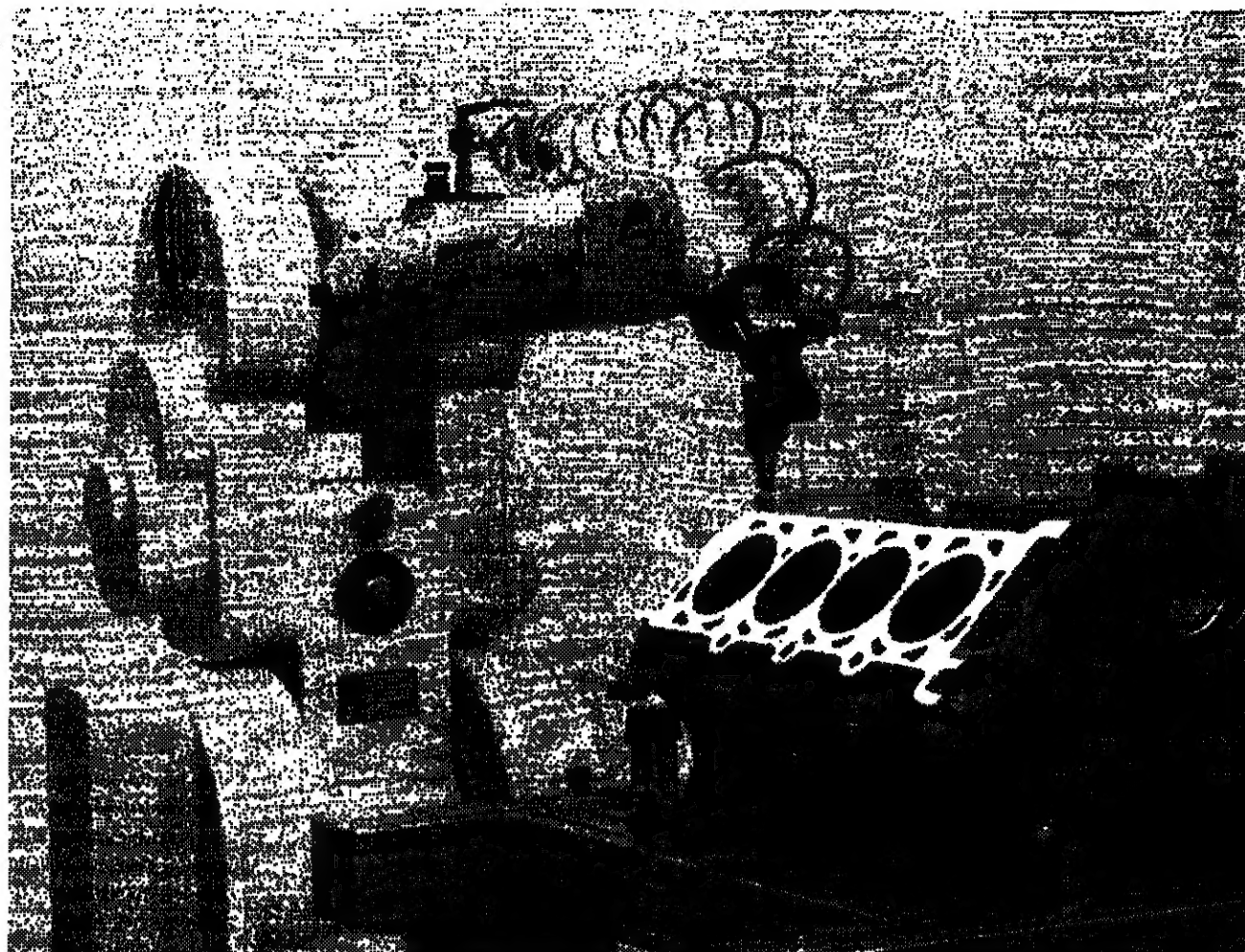
have strong positions.

The flexibility of robots to handle model changes will be the key to their further implementation in the car body area. In engine and transmission production, robots are becoming better established, and Mr Mattucci suggests a new generation of engines prompted by tougher environmental regulations could be the spur to further investment in robots.

However, an increasing portion of business for robot suppliers seems likely to come from refurbishment of existing robots rather than new purchases as customers seek maximum value from their manufacturing investments.

In the past three or four years, this has been a growing trend of robot refitting and modification in the motor industry, carried out during model changeovers and restoring robots to previous levels of accuracy and productivity.

Andrew Baxter



The motor industry accounts for 40 per cent of the 450,000 installed industrial robots worldwide. Their applications are expanding

Andrew Baxter reports on developments in paints and coatings

## New trends and challenges

pany Behr, the Asea Brown Boveri subsidiaries Flakt and Ransburg, and Talkisha of Japan - are adapting to the growing demand for turnkey packages while keeping abreast of a multi-disciplinary process involving everything from computers to sludge removal systems.

Recent installations in the UK motor industry illustrate the trends clearly. Vauxhall's newly-commissioned \$60m paint unit at its Ellesmere Port Astra manufacturing plant has Europe's first operational MAP (Manufacturing and Automation Protocol) 3.0 network. MAP is a means of maintaining efficient, reliable high-speed communications between factory-floor computers.

The plant also has an innovative "floculation" system, designed to recover paint overspray, developed as an experiment by Air Industrie, a subsidiary of GEC Alsthom, and GM's European Technical Development Centre. Work is continuing on ways to use the recovered paint, perhaps as a filler material in compounded sound deadener pads.

Further south, at Iveco Ford Truck's Langley plant, the Iveco New Cargo line has a fully automated Behr paint spraying system, equipped with four robots and claimed to be the first in Europe to spray a complete cab automatically in a single pass.

The system, designed for frequent colour changes, can handle 16 body styles and 24 colours. Bodies are fed to the spray booth at random and the required style and colour programme called up by an operator on a simple keypad at the entrance to the spray booth. Thereafter, the complete spraying operation is fully automatic and computer controlled.

Pre-treatment ahead of painting is also the target of investment. At Rover's Cowley factory, a new body pre-treatment plant installed by Dürr has replaced the old spray dip system with a new full immersion pre-treatment process, producing better corrosion protection.

Meanwhile, at the luxury end of the industry, Rolls-Royce has installed the latest Behr two-component paint system. Known as 2K, the system mixes precise quantities of paint and hardener immediately before they are applied to the car body.

All these systems offer environmental benefits - the 2K process, for example, requires a lower stoving temperature than typical single component materials and thus consumes less energy.

According to Dürr, the cost of new automotive paint plants will need to increase by 20 per cent, or £1m-£2m, to accommodate new UK emission regulations - operators have until September to submit approved plans to local authorities for complying with the 1990 Environmental Protection Act.

The response to the regulations takes a number of forms, according to Mr John Barlow, Dürr's UK managing director. On the materials side, there is a move away from solvent-based paints to water-based primers - water-based primers have been used for some years.

Solvents are used to get the paint airborne, and their replacement by water-based systems requires new sprayers and a completely new stainless steel plant.

Where solvents are used, paints with higher solid contents have been developed to reduce emissions. This is a further advantage of the 2K process, which has a high solids content of up to 70 per cent.

New paint technologies, such as powder-coating, are also being tried, but in this case implementation in car plants is a long way off, says Mr Barlow. The emission problem is solved but the spraying equipment is too wasteful.

Controlling and treating emissions, whether of air-borne solvents, or paint-polluted water, is the other main area where technology is being driven by the emission regulations and tougher rules. This has led to demand for more sophisticated scrubbing and incineration systems, such as catalytic incinerators, and water recycling equipment.



## THE STORY OF THE CLAY MODEL AND THE SEVEN MICROPHONES.

Prevention is always better than a cure. That is why Lexus engineers didn't wait until the LS400 was a reality to start thinking about the problem of wind noise. Unlike other carmakers, they began at the earliest stages of its development.

Before one of the first clay models entered the wind tunnel for testing, they placed seven microphones in strategic locations. This enabled them to study and monitor those areas particularly susceptible to wind noise.

When it came time to develop the first LS400 prototypes, the engineers made modifications in design according to the results of their experiments. As a result, the LS400 not only has the lowest coefficient of drag (Cd) of any car in its class, it also has one of the world's quietest cabins.

### THE SOUND OF SILENCE.

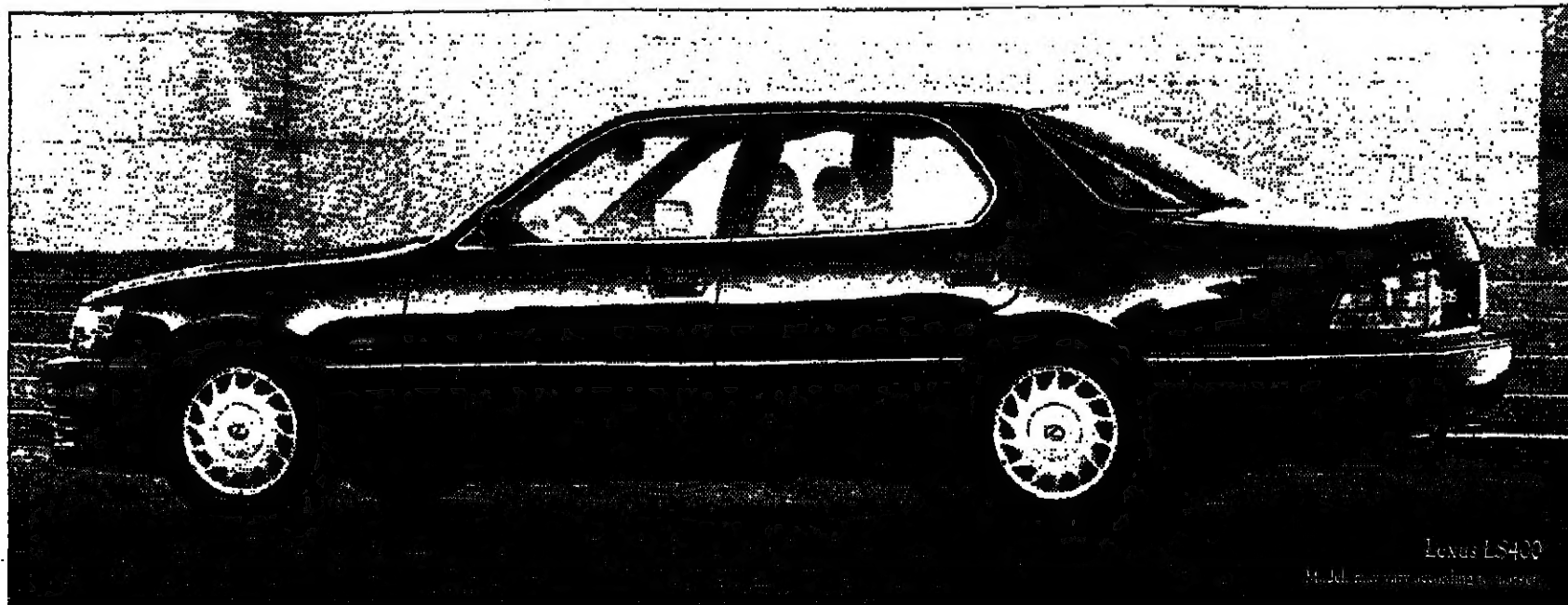
Lexus was able to achieve its extraordinary quietness and Cd figure of 0.29 as a result of an extraordinary design;

where aerodynamics and aesthetics, often seen as antagonists, were united in uncompromising and remarkable harmony.

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Lexus LS400



## VEHICLE MANUFACTURING TECHNOLOGY 4

Cedric Ashley on the machine tools industry

## Fresh challenges

IN relationship to the vehicle industry, machine tools should not in any way be thought of in isolation, but instead as part of a system. Indeed, it is a complex system going back to the moment of conception of the motor vehicle.

The present "buzz word" is "simultaneous engineering" in which design, development, tooling, manufacture, assembly and quality are all considered together at the same time.

It both reduces the key lead time between initiation of a project and selling on the market place, and it ensures that the optimum blend of technologies is brought to bear on the complex process of creating a motor car.

In this process, the technology of manufacture is decided, at least in some detail, at the same time as the first part is drawn. The most complex element is the body and it is now possible to go directly from a computer model to the press tool to manufacture the part.

Normally, there is an intermediate stage in which a styling model is created in foam or a special form of very high density wood material. This model may be tweaked by the stylist, either at the computer or through traditional methods of reshaping using modelling clay.

The next stage is production of tools for prototype manufacture and finally the production tools. In all these cases, use is made of a three- or five-axis profiling machine. Indeed, the whole process can be handled on the computer to cover the design of the body tools, the jigs, the fixtures, even the production line.

It is even possible to use a computer simulator of the whole process, so that it can be

optimised at an early stage. Quality to a manufacturing engineer is the capability of the production process to produce a part to specification. We now look for a zero defect production process in which every part is produced right every time.

Quality is not a measure of the skill of the individual operator, and indeed the production process is generally organised in such a way that accurate manufacture to specification does not depend on operator skill.

This means that any computer-controlled production machine must not only receive computer-generated information about what it has to do, but also computer read information on acceptable limits and sensors to check and verify that those limits have been met. Much of the technology advance has been in sensor development.

There is also considerable interest in the arrangement of machine tools within the factory. In the late sixties, group technology was initiated where groups of machines were put together to manufacture specific parts to minimise transfer time between machines and stock holding. To some extent the machining centres have superseded the six- to 10-machine group of dedicated machines, but the concept is now being developed further in terms of the product cell.

In this concept, an operational unit is formed to produce a specific small family of units such as electric motors, water pumps, etc. This allows minimum stockholding within the unit.

In such a unit, a time lag as short as 12 hours may exist between initiation of demand

for a product variation and such a variation being produced at the end of the line.

A further key element in the selection of the production process is flexibility. The speed of product development is such that extensive changes in the product can occur in three- to four-year time spans and these must be accommodated.

At one time, transfer lines had such rigid constraints that design and development was inhibited. We now expect full flexibility from the transfer line to accept both extensive design change and product variation within a short time span.

There has long been a financial investment and return hierarchy in machine tools starting off at the basic building block, the CNC machine such as a lathe, drilling machine or miller.

The next stage is the machining centre capable of a variety of operations through multiple tool changes and modes of operation. The Flexible Manufacturing System (FMS) effectively links together machining centres and finally we have the dedicated transfer line.

The trick is to know the volume break point at which to invest in the next level of machine. These boundaries are continuously moving upwards.

Some recent developments illustrate these points. Vauxhall has just commissioned a new large transfer press at Ellesmere Port which is notable for its rapid changeover of tools.

Tools for the next run are placed on sliding bolsters and are automatically changed at the time, using photo-sensors to ensure correct location with automatic clamping. The computer controls the usual press



A five-axis mill is used to produce an initial styling model

operation setting up variations and within 13 minutes a completely different pressed part can be produced. In the last decade, more than 24 hours would be necessary for a tool change of such complexity.

Advest has just commissioned a novel machine for producing variable-ratio steering racks using a CNC lathe. By combining movement of six elements, two cams, two angular axes and two linear axes, the complex form was turned rather than ground. Tooling costs were reduced by a factor of 10 and the cycle time reduced from five minutes to only two minutes.

Ford in the US is to build a transfer line in conjunction with several unit-type machines to produce Zeta crankshafts. A novel feature of two of the unit machines will be to use rotary broaching to machine the crank pins, as opposed to turning.

Emissions requirements have led Cummins to an improvement in cylinder block

machining. The bores are now being honed with the block clamped in such a way as to simulate the distortions caused when the cylinder head is bolted into place. This gives improved bore roundness in service and reduces oil consumption and hence particulate emissions.

These examples show some of the challenges which have been met. Computing power for machine tools is falling in cost, but the consumer is demanding even higher standards of the end product of his vehicle than before.

Machines are faster, smarter and more flexible; we expect many more developments in the near future in the world of automation and machine tools. It is recognised by the CBI and many others that this is one of the key areas for new investment if the UK is to retain a viable manufacturing base.

The author is a past chairman of the Automobile Division of the Institution of Mechanical Engineers

FINAL ASSEMBLY

## Scope for more machinery

ASK A CAR buyer which bit of his car was most difficult to build and the chances are that he or she will name the engine or the car body.

In fact, the most time-consuming, and therefore expensive, task is when engine, gearbox, suspension and interior trim are placed and fixed in the painted car body - a process known as final assembly.

To please the customer the car company must offer many different options on each basic car.

Apart from different engine sizes and gearboxes, the production line has to cater for a myriad of differences in interior trim: colours, fabrics, equipment and fitted glass.

Take Ford's latest Escort, built at the Halewood plant on Merseyside. There are more than 100 variations in the bumper fitted to this car depending on colour and specification.

Similarly there are up to 80 variations in the body side moulding, 60 variations in the door mirrors, and between 140 and 260 variations in the door trim panels according to the model mix being built at the plant.

The complexity of choosing the right component and fitting it into the right model has left these areas of the factory dominated by men and women, not machines. It has also made this part of car construction the area where, on the surface, greatest efficiency gains should be possible.

The International Motor Vehicle Programme (IMVP) - an international study carried out by the Massachusetts Institute of Technology - found that final assembly accounts for about 15 per cent of the final value of the car, a significant proportion.

Typically in Europe it takes 15 hours of assembly time per car to carry out final assembly, compared with four hours to paint the car and five to weld it together (direct labour only).

By contrast, according to the IMVP, a typical Japanese plant needs six hours of final assembly per car, two hours for paint and three hours for body construction - a clear competitive advantage to the Japanese.

There is no escape from the complexity of the tasks to be carried out on final assembly. Customers will continue wanting more, not fewer, options. And in any case it is not the complexity itself which makes a factory efficient. The IMVP study suggested that the factories coping with the most complex cars were also the most productive, and they were Japanese.

So what are the solutions to making final assembly more efficient? Needless to say, companies are choosing different ways ahead.

The most obvious answer is to do to final assembly what has already been done elsewhere in the car factory: use machines instead of men. Machines will work flat out all day every day to uniformly high quality standards. The rising cost of labour makes automation more attractive.

And as fewer people want to work in car factories these days, especially in Japan, machines are having to be used, whether cost effective or not.

There is certainly scope for more machinery. The proportion of direct steps carried out by automation in Europe is, on average, just 3 per cent. In Japan the equivalent is 7 per cent. The typical European bodyshop has 77 per cent of its action automated, compared with 86 per cent in Japan.

Automation suppliers are confident that they can provide the answers. Mr Kai Wörn, Brussels-based manager of automotive sales support for ABB Robotics, says automation is just becoming cost-effective in final assembly.

He estimates that the cost of robots has fallen by 30 per cent in the past five years while their performance has risen by the same amount over the same period.

Mr Wörn estimates that the real advance in automation will come in the next two to three years as new cars come on stream - having been designed with automation in mind.

costs, as systems engineers wrestle with the problems. Professor Dan Jones of Cardiff Business School says the Cassino plant will only be cost-effective if it runs at full capacity. And that in turn means Fiat will need another less efficient car plant elsewhere capable of turning Tipo production on and off according to fluctuating demand.

Similarly, automation can inhibit new model design by forcing engineers to cut costs by using tooling installed for the old model. The Volkswagen Golf is often cited as a case in point.

Instead of trying to replace the workforce, some companies are turning to automation as a means of using people more effectively. Citroën automates tasks that are ergonomically awkward, and Jones suggests that automation should be used to tackle the simple repetitive tasks, not the labour-intensive pinchpoints on a production line where workforce numbers may be reduced but the automation left with an impossibly complicated job - and the people with an impossibly boring set of simple jobs.

Unlocking the skill in the workforce can be extremely effective. Rover achieved huge improvements to productivity and quality by asking its workforce to examine prototypes of the new Rover 800 executive car before it went into production. Similarly, Nissan's car factory in Sunderland is one of the least automated but most efficient in Europe because of the management skill in running the factory efficiently.

All car companies will simplify their own tasks by asking suppliers to do more. Instead of assembling cars under one roof, car companies will receive built-up modules such as dashboards, seats or mouldings ready for installation into the car.

But whichever route a company chooses it must get the cost analysis right. Automation can be hugely expensive. But so is failure to use the workforce.

Chris Barrie

Automation can inhibit new designs by forcing engineers to cut costs

But it is worth adding a caveat: design a car for easier automation, and you make it easier for a man to assemble, too. Ford looked long and hard at automating final assembly of the Sierra replacement, the CDW27, and appears to have ruled it out as still not cost effective.

But there are companies that have automated already. Fiat builds its Tipo car on highly automated lines at Cassino in Italy. The factory has more than 100 computers, 400 robots, 24 lasers, more than 1200 wire guided trolleys and 480 automatic guided vehicles. It is the most highly automated factory in the world.

Similarly, Volkswagen builds the Golf on highly automated lines, while Citroën uses automation to carry out large numbers of final assembly tasks on the XM executive car at Rennes in France.

But there are constraints in such an approach. The high cost of sophisticated automation systems makes high production volume a must. Yet the complexity of the systems can mean frequent breakdowns, adding to indirect

RECYCLING

## Focus on use of plastics

ONE rarely visits a vehicle manufacturer these days without being given a briefing on recycling. For the most part, such briefings follow a standard pattern as least where content is concerned.

The starting point is that vehicles are already more efficiently recycled than any other consumer durable, with up to 75 per cent of their content by weight already reclaimed and used again. That 75 per cent, it is then admitted, roughly corresponds to the metallic content.

The focus of attention is now the remaining 25 per cent, and in particular that proportion of it which is plastic.

The standard presentation tends to make three points. First, plastics are now carefully chosen with an eye to recycling. Polypropylene, which is easily re-used, has suddenly become the material of choice for plastic bumper covers, and the point is invariably made that far fewer different plastics are being used in manufacture.

Second, all plastic parts above a certain weight - usually either 50g or 100g - are marked to show exactly what

material they are made from. This is to overcome a notable drawback of plastic materials: they are difficult to identify.

Third, body designers now take care to ensure that plastic components can be easily removed for recycling and due consideration is being given to the best way of re-using such components.

Here, opinion is split between the "like-for-like" approach which insists that plastic components must be capable of re-emerging in the same form, and the "cascade" philosophy which suggests it is equally effective and less expensive to use recovered plastic for successively less demanding applications on each occasion.

The cascade system envisages taking a high quality, visible application such as a bumper cover and turning it perhaps into invisible wheel-arch liners, then into an sound-

deadening pad and finally into a packing-piece or container for a new production part.

Given an average car life of 12 years (and rising), this would put plastic to good use for up to half a century.

The purists, however, argue that this is not good enough. Volkswagen, for example, is determined to turn bumper covers into bumper covers, by no means easily achieved, since quality of surface finish is the first quality to suffer when plastic from such "visible" applications is recycled.

There is, in any case, no question that concerns over recycling have caused vehicle designers to reconsider their use of plastic. Not only has the number of different plastics in a vehicle body been greatly reduced, but the actual proportion of plastic is coming down for the first time in many years.

In particular, designers are

shying away from high-strength plastic composites - mainly glass-reinforced materials - because the only way they can currently be recycled is to shred them, at some cost, and send them directly to the base of the "cascade".

This in turn has set back the cause of lightweight, rust-free plastic body panels because only the composite materials have the mechanical strength necessary, especially for large horizontal panels such as the roof and bonnet.

The particular concern over plastics should not, however, be allowed to overshadow the mechanics of vehicle recycling in general. Several manufacturers, including BMW and VW in Germany, Ford and Renault in France and Rover in the UK, have set up pilot projects for the recovery and disposal of scrapped vehicles.

Such operations highlight the fact that many of the non-metallic components of a vehicle including the tyres, glass, fluids (oil, coolant, and brake fluid, and in some cases the chlorofluorocarbons-laden air conditioning refrigerant) as well as the several kilograms of dirt accumulated beneath any vehicle during its life, all pose problems from the recycling point of view.

The recycling projects now under way all work on the

principle of recovering higher-value and "difficult" items more or less intact before sending the rest of the body to be granulated. The residue is sorted into various grades of re-usable material and the inevitable remainder is incinerated at very high temperature into a dense ash which can be used directly as hardcore or incorporated into cement. The technology of material sorting is one of the more closely guarded secrets of such operations; when PSA held a press presentation at its pilot recycling plant near Lyons, that section of the "works" was shielded from view, although samples of impressively well-sorted debris were on display.

There is no doubt that concern over recycling has posed another constraint on vehicle designers at a time when most of them probably thought they already had enough to be going on with. Their choice of materials has become more restricted and they are having to give much more thought to the question of easy dismantling at the end of the vehicle's life.

The signs are, however, that ingenuity will overcome these constraints without affecting the appearance of the vehicle itself.

Jeff Daniels

Chris Barrie looks at materials handling

## Rapidly evolving

ABOUT 10,000 components make up an average car and they all have to be brought to the right area of the production line at the right time.

Once on the production line, the components have to be moved from one assembly station to the next at a given speed and often be positioned with great accuracy.

The materials handling equipment designed to do this ferrying has evolved rapidly as the demands made of it have become greater. Production lines are having to make a greater variety of car models, requiring a more complex mix of parts. Simultaneously, production managers are reducing stock holdings, demanding more frequent delivery to the lineside to more precise timing.

The traditional method of transferring parts to the line is to use people, forklift trucks and towed trolleys. The system needs to be flexible and fast, and it is hard to foresee how sophisticated automation will replace it. But the other aspects of car production are more heavily automated. There are three types of equipment in widespread use:

● Automatic guided vehicles. AGVs were bought in large

numbers five years ago by some companies, especially General Motors and Volvo. They are flexible, quiet and extremely effective in certain applications. But the surge of interest in the early days of the technology has led to a reappraisal of AGV use within the car industry - and some disenchantment.

Volvo's engine factory in Skövde has more than 380 AGVs. According to Mr Greger Lundesjö, managing director of supplier BT Rolstruc Systems, the application suits the technology because the Swedish place a high value on working environment and because Volvo has a sound understanding of the technology.

AGVs are expensive, but the numbers can be matched to production increases to avoid high start-up costs. AGVs can also be effective when used for complex operations that are best carried out off the main production line: Mercedes-Benz uses AGVs for certain assembly operations, feeding the completed assemblies back into the main line which runs free of potential interruptions.

● Chain conveyors. The traditional method of moving car bodies down a production line

will continue for years despite competition from more sophisticated alternatives. The Japanese car companies are replacing many basic conveyors to reduce noise and improve working conditions to offset recruitment difficulties. But cost and noise reduction measures will ensure this type of conveyor is bought by many plants in future.

● Self-propelled monorail carriers. More expensive than traditional conveyors, these lines will deliver large components or car bodies to a predetermined pattern. The parts or bodies travel on powered trolleys, their movement tracked by computer.

The Japanese car factories are turning to these systems to replace old chain conveyors. The systems are often used to feed a principal production line that is less flexible and has to be kept running at constant speed.

Because of the sophistication of the production process and different priorities, car companies will choose a mix of materials handling equipment in future rather than be wooed by one-stop solutions.

The author is the editor of The Engineer

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